

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF ORANGE CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

Prepared by the
Office of the City Administrator
Duane Feekes, City Administrator

**CITY OF ORANGE CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	Page
Letter of Transmittal.....	1 – 3
Certificate of Achievement for Excellence in Financial Reporting	4 - 5
Organization Chart.....	6
Directory of City Officials	7
Appointed Boards and Commissions	8
City Personnel	9

FINANCIAL SECTION

Independent Auditors' Report	10 – 11
Management's Discussion and Analysis	12 – 24

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets	25
Statement of Activities	26 – 27

FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Balance Sheet	28 – 29
Reconciliation of the Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures and Changes in Fund Balances	31 – 32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	33

Proprietary Funds Financial Statements

Combining Statement of Net Assets	34 – 35
Combining Statement of Revenues, Expenses and Changes in Net Assets	36 – 37
Combining Statement of Cash Flows	38 – 41

Fiduciary Funds Financial Statements

Statement of Fiduciary Net Assets.....	42
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Notes to Financial Statements	43 – 65
-------------------------------------	---------

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual, All Governmental and Proprietary Funds – GAAP Basis	66 – 67
Notes to Required Supplementary Information	68
OPEB Schedule of Funding Progress.....	69

CITY OF ORANGE CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
TABLE OF CONTENTS

FINANCIAL SECTION – (CONTINUED)

	Page
Other Supplementary Information	
Governmental Non-Major Funds Combining Financial Statements	
Balance Sheet	70 – 71
Statement of Revenues, Expenditures and Changes in Fund Balances	72 – 73
Fiduciary Funds Combining Financial Statements	
Statement of Changes in Assets and Liabilities	74

STATISTICAL SECTION

Net Assets by Component	75
Changes in Net Assets	76 - 77
Governmental Activities Tax Revenue by Source	78
Fund Balances of Governmental Funds	79
Changes in Fund Balances of Governmental Funds	80-81
Assessed Value and Estimated Actual Value of Taxable Property	82
Property Tax Rates Direct and Overlapping Government	83
Principal Property Tax Payers	84
Property Tax Levy and Collections	85
Ratios of Outstanding Debt by Type	86
Ratios of General Bonded Debt Outstanding	87
Direct and Overlapping Governmental Activities Debt	88
Legal Debt Margin Information	89
Pledged Revenue Coverage	90 - 91
Principal Employers	92
Full-Time Equivalent City Government Employees by Function	93
Capital Asset Statistics by Function/Program	94
Demographic and Economic Statistics	95
Independent Auditors' Report on Compliance and on Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	96 – 97
Schedule of Findings	98 – 99

* * * *



November 19, 2012

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Orange City:

State law requires the every general-purpose local government publish within nine months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

William's & Company, Certified Public Accountants, have issued an unqualified opinion on the City of Orange City's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Orange City was incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Orange City operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the government's administrator, who in turn appoints the heads of the various departments with council approval. Council members serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis.



The City Administrator has operating responsibilities for all City functions excluding the Library and Hospital.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board, and golf course board of which is reported separately within the City of Orange City's financial statements. Additional information on the municipal hospital and golf course can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15th. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa budget law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

Local Economy

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being Staples, Inc., an advertising product manufacturer and promotional products, Advance Brands, Inc., a ready-to-cook food producer, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

Fiscal year 2011-2012 was another great year for the community of Orange City. Many exciting trends and projects are taking place that continue to improve the quality of life for its citizens.

The City is constructing a new industrial electric municipally owned substation. The work consists of a new 15kV underground electric distribution system, including installation of cable, conduit, and pad mounted switches. This project should be completed in the spring of 2013.

The City has also made improvements to our water treatment plant facility. The first phase was constructing a 500,000 gallon pre-stressed concrete ground storage reservoir, including site piping.

The second phase of the water treatment plant facility improvement was replacing three high service pumps, relocation of two pumps, installation of one new transfer pump, new VFD drives for new high service pumps and transfer pumps, and a standby generator. The completion of both phases were completed in May 2012.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

Long-Term financial planning

Management of the City of Orange City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 44 and 50 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) the year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of the state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

Respectfully submitted,



Duane Feekes
City Administrator



Kent Anderson
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson

President

Jeffrey R. Enos

Executive Director

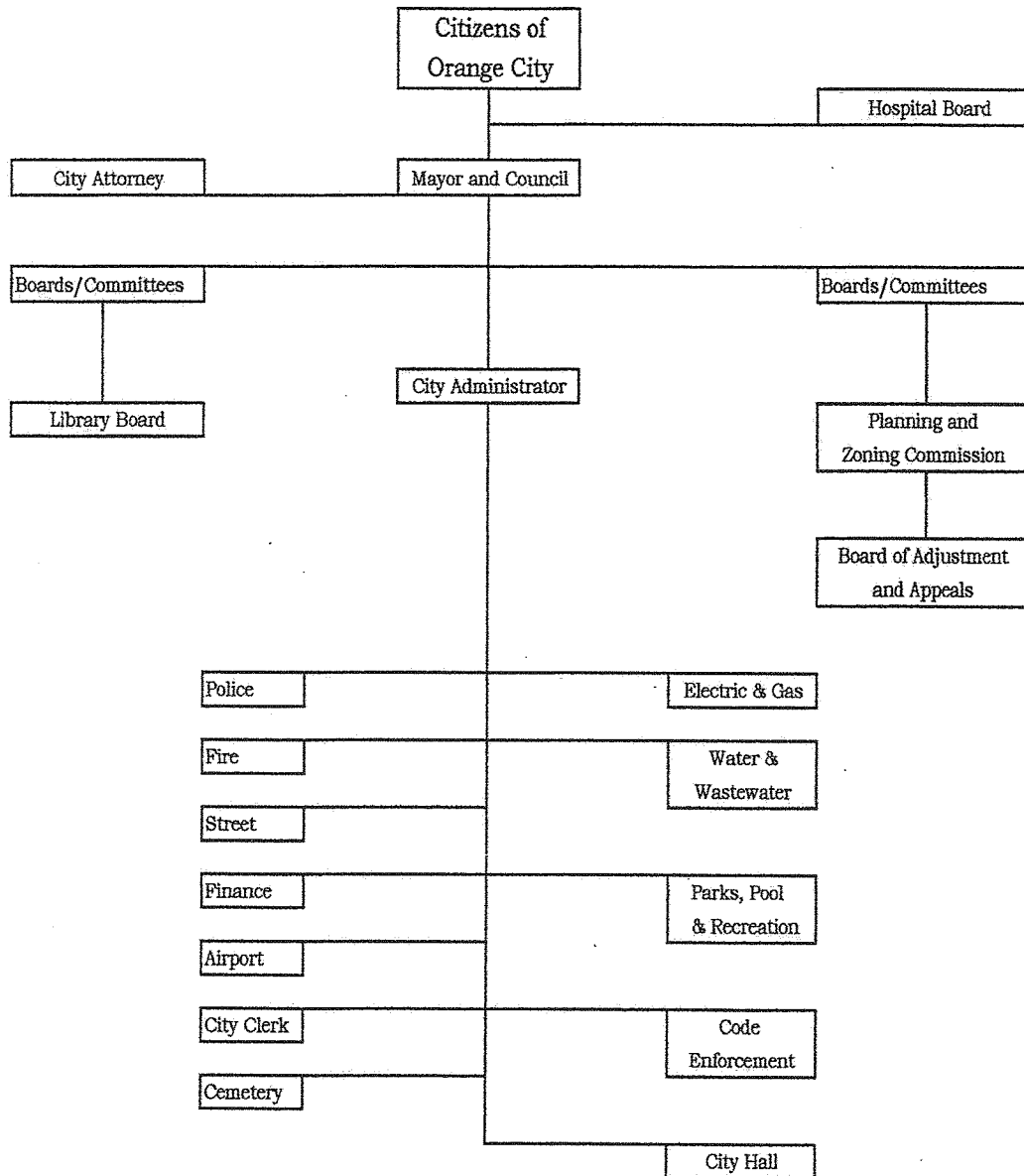
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

CITY OF ORANGE CITY, IOWA

ORGANIZATIONAL CHART



CITY OF ORANGE CITY, IOWA

**Directory of City Officials
Elected City Officers
June 30, 2012**

MAYOR

Les Douma

COUNCIL MEMBERS

Rod De Boer
Steve Roesner
Mick Snieder
Chad Oolman
Earl Woudstra

HOSPITAL TRUSTEES

Tim Zeutenhorst - Chairman
Randy Jacobsma – Vice Chairman
Russ Adams - Secretary
Shirley Van Wechel
Brenda Richardson
Gary Vande Vegte

APPOINTED CITY OFFICERS

Duane Feekes
City Administrator

Loren Veldhuizen
City Attorney

APPOINTED BOARDS AND COMMISSIONS

ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman
John Kooiman, Vice Chairman
Jason Bomgaars
Arlin Smit
Ben Van Engelenhoven

PLANNING AND ZONING COMMISSION

Mark Lundberg, Chairman
Dale Pluim, Vice Chairman
Rhonda Moret
Scott Heemstra
Amy Schutt
Scott Simmelink
Marlin Vollink

ARTS COUNCIL

Greg Haverdink, President
Bob Hubbard, Vice President
Mike Stokes, Treasurer
Rebecca Donahue
Lois Estell
Julia Huisman
Cheryl Kugler
Judy Thompson
Shelia Van Den Brink
Janine Calsbeek, Executive Director

LIBRARY BOARD OF DIRECTORS

Bruce Lefever, President
Mabel Mantel, Vice President
John Buntsma, Treasurer
Dan Pluim, Secretary
Joan Brower
Elizabeth Kensak
Colmann McAllister

FIRE DEPARTMENT

Steve Brouwer
Jason Bruinsma
Rob Bruxvoort
Arnie Carlson
Ryan Dau
Kevin Dekker
Brian De Kock
Jon DeKoster
Brad De Vos
Mike Dorr
Steve Distler
David Dykstra
Josh Dykstra
Michael Dykstra
Mel Elsberry
Jordan Gammon
Chad Hase
Tim Huffman
Al Jeltema
Ann Lundberg
Taylor Malm
Josh Meis
Nate Mosterd
Mike Ritz
Dan Roghair
Dan Schram
Bruce Schutt
Dennis Vander Wel, Chief
Brent Van Leeuwen

CITY PERSONNEL

ADMINISTRATION

Kent Anderson
Gary Blythe
Janet Brown
Duane Feekes
Ted Loucks
Ken Meendering
Barb Ramsey
Mary Wichers

Finance Officer
Assistant Administrator
City Clerk
City Administrator
Public Works Director
Code Officer
Billing Clerk
Receptionist/Secretary

POLICE DEPARTMENT

Dann De Vries
Peter De Beer
Duane Hulstein
Bruce Jacobsma
Jim Pottebaum
Wesley Van Voorst
Robert Van Zee

Chief of Police
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer

STREET DEPARTMENT

Luke Horkey
Don Snieder
Randy Van De Griend

Street Crewman
Street Crewman/Mechanic
Street Foreman

PARKS AND RECREATION

Mitch Aalbers
Brian Goslinga
Rochelle Sapp

Director
Park Maintenance
Pool/Fitness Director

MUNICIPAL BUILDINGS

Bill Van Marel, Jr.

Custodian

UTILITIES

Gerry Bomgaars
Alan De Boer
Alan De Jong
Ed De Jong
Michael Klootwyk
Kirk Maasdam
Jerry Reuvers
David Sassman
Arlan Scholten
Michael Verdoorn

Gas Utility Foreman
Electric Line Maintenance Worker I
Electric Line Maintenance Worker I
Gas Utility Crewman
Electric Line Maintenance Worker II
Water & Wastewater Operator
Water & Wastewater Operator
Water & Wastewater Foreman
Electric Department Foreman
Electric Line Maintenance Worker I

AIRPORT

Dan Vander Weide

Base Operator

HOSPITAL

Martin W. Guthmiller
Dina Baas

Administrator
Chief Financial Officer

LIBRARY

Karla Chase

Administrator

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Orange City Municipal Golf Association discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$58,477,419 and total program revenues of \$43,159,511 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan on pages 12 through 24 and 66 through 69 be

presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orange City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 19, 2012

Management's Discussion and Analysis

June 30, 2012

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2012. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City Municipal Hospital and Orange City's Municipal Golf Association, discretely presented component units of the City.

Financial Highlights

- The assets of the City of Orange City exceeded liabilities at June 30, 2012 by \$32,640,502. Of this amount, \$7,731,737 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$2,682,527 during the year. Of this amount, the governmental activities increased by \$1,780,500 and the net assets of our business activities increased by \$902,027.
- The City's long-term debt increased \$10,980,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2012 and 2011.

	General Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Current and Other Assets	\$ 8,757,582	\$ 5,435,658	\$12,666,971	10,432,281
Capital Assets	20,451,246	15,835,514	21,376,353	17,696,884
Total Assets	29,208,828	21,271,172	34,043,324	28,129,165
Long-Term Liabilities Outstanding	15,423,676	9,506,535	10,711,522	5,652,186
Other Liabilities	3,456,410	3,216,395	1,020,042	1,067,246
Total Liabilities	18,880,086	12,722,930	11,731,564	6,719,432
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,326,246	9,120,514	12,336,353	12,126,884
Restricted	1,011,688	1,183,616	1,234,478	1,010,235
Unrestricted	(1,009,192)	(1,755,888)	8,740,929	8,292,614
Total Net Assets	\$ 10,328,742	\$8,548,242	\$22,311,760	\$21,409,733

	Totals	
	2012	2011
Current and Other Assets	\$21,424,553	\$15,867,939
Capital Assets	41,827,599	33,532,398
Total Assets	63,252,152	49,400,337
Long-Term Liabilities Outstanding	26,135,198	15,158,721
Other Liabilities	4,476,452	4,283,641
Total Liabilities	30,611,650	19,442,362
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,662,599	21,247,398
Restricted	2,246,166	2,173,851
Unrestricted	7,731,737	6,536,726
Total Net Assets	\$32,640,502	\$29,957,975

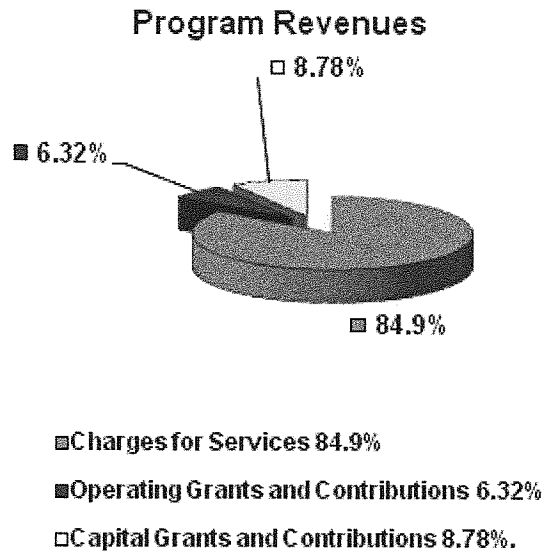
This summary reflects an increase of 20.83% for the governmental net assets and an increase of 4.21% in the business-type net assets. The governmental net asset increase is due to construction in progress at June 30, 2012, which consisted of the Industrial Park/Frankfort Place project and the new city owned event center. The business-type net asset increase is due to a new electrical substation located in our industrial park.

Total revenue reported in Fiscal 2012 was \$19,265,535. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2012 and 2011:

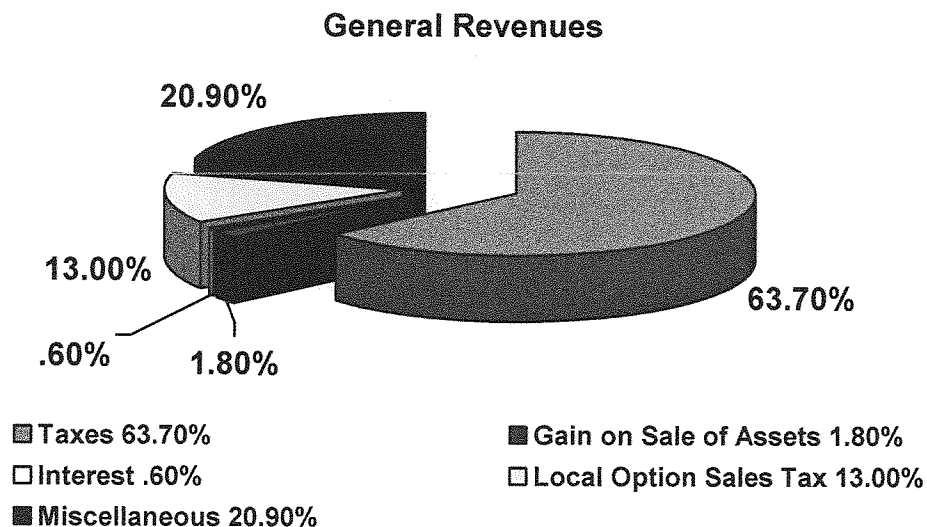
Revenue Source	General Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Program Revenues:				
Charges for Services	\$ 536,672	\$ 645,544	\$ 11,853,347	\$ 11,357,604
Operating Grants and Contributions	748,271	893,471	-	-
Capital Grants and Contributions	-	1,236,083	-	-
Total Program Revenues	<u>1,284,943</u>	<u>2,775,098</u>	<u>11,853,347</u>	<u>11,357,604</u>
General Revenues & Interfund Transfers:				
Property Taxes	2,819,037	3,265,842	-	-
Local Option Sales Tax	646,042	669,520	-	-
Interest	3,963	11,297	18,935	18,772
Gain (Loss) on Sales of Assets	100,120	94,548	-	-
Miscellaneous	196,505	117,618	313,364	955,236
Total General Revenues	<u>3,765,667</u>	<u>4,158,825</u>	<u>332,299</u>	<u>974,008</u>
Interfund Transfers	569,088	912,173	(569,088)	(912,173)
Total General Revenues & Interfund Transfers:	<u>4,334,755</u>	<u>5,070,998</u>	<u>(236,789)</u>	<u>61,835</u>
Total Revenues & Interfund Transfers:	<u>\$ 5,619,698</u>	<u>\$ 7,846,096</u>	<u>\$ 11,616,558</u>	<u>\$ 11,419,439</u>

Revenue Source	Totals	
	2011	2012
Program Revenues:		
Charges for Services	\$ 2,390,019	\$12,003,148
Operating Grants and Contributions	748,271	893,471
Capital Grants and Contributions	-	1,236,083
Total Program Revenues	<u>13,138,290</u>	<u>14,132,702</u>
General Revenues & Interfund Transfers:		
Property Taxes	2,819,037	3,265,842
Local Option Sales Tax	646,042	669,520
Interest	22,898	30,069
Gain on Sales of Assets	100,120	94,548
Miscellaneous	509,869	1,072,854
Total General Revenues & Interfund Transfers	<u>4,097,966</u>	<u>5,132,833</u>
Total General Revenues & Interfund Transfers:	<u>4,097,966</u>	<u>5,132,833</u>
Total Revenues & Interfund Transfers:	<u>\$ 17,236,256</u>	<u>\$19,265,535</u>

Program revenues totaled \$14,132,702 for fiscal year 2012. Governmental Activities provided \$2,775,098 and Business-Type Activities provided \$11,357,604. Revenue collected for Charges for Services during fiscal year 2012 was \$12,003,148, accounting for 84.9% of the total program revenues. The following chart breaks down program revenues by source:



General Revenues for fiscal year 2012 totaled \$5,132,833. Governmental Activities provided \$4,158,825 and Business-Type Activities provided \$974,008. Property Tax Revenues for fiscal year 2012 totaled \$3,265,842, accounting for 63.7% of General Revenues. The following chart breaks down General Revenues by source:



Expenses for Fiscal 2012 totaled \$16,583,008. Expenses for General Governmental Activities totaled \$6,065,596, accounting for 36.5% of total expenses. Business-Type Activity expenses totaled \$10,517,412, for 63.5% of the total.

The following table shows total expenditures by Function/Program for FY 2011 and FY 2012:

	General Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Public Safety	\$ 830,457	\$ 828,199	\$ -	\$ -
Public Works	1,975,401	1,778,275	-	-
Culture and Recreation	1,311,021	1,454,835	-	-
Community & Economic Development	1,572,043	317,481	-	-
General Government	714,572	1,144,619	-	-
Debt Service	347,165	542,187	-	-
Sewer System	-	-	601,445	596,619
Water System	-	-	873,848	909,721
Electric System	-	-	6,891,993	6,941,319
Natural Gas System	-	-	2,858,896	2,069,753
Total Expenditures	\$ 6,750,659	\$ 6,065,596	\$ 11,226,182	\$ 10,517,412

	Totals	
	2011	2012
Public Safety	\$ 830,457	\$ 828,199
Public Works	1,975,401	1,778,275
Culture and Recreation	1,311,021	1,454,835
Community & Economic Development	1,572,043	317,481
General Government	714,572	1,144,619
Debt Service	347,165	542,187
Sewer System	601,445	596,619
Water System	873,848	909,721
Electric System	6,891,993	6,941,319
Natural Gas System	2,858,896	2,069,753
Total Expenditures	\$ 17,976,841	\$ 16,583,008

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System
Water System	Operation of Water Treatment Plant/Supply Distribution System
Electric System	Operation of Electric Plant/Supply Distribution System
Natural Gas System	Operation of Natural Gas Plant/Supply Distribution System

Governmental of Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$828,199 and received \$174,287 in revenue, thus leaving a cost to the taxpayer of \$653,912 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$6,065,596. Of these costs, \$645,544 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions was \$2,129,554, leaving a Net Expense of \$3,290,498 for Governmental Activities. These expenses of were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2011	2012
Governmental Activities:		
Public Safety	\$ (687,710)	\$ (653,912)
Public Works	(1,144,844)	(594,140)
Culture and Recreation	(1,034,070)	(213,582)
Community and Economic Development	(1,549,160)	(198,638)
General Government	(702,767)	(1,088,039)
Debt Service	(347,165)	(542,187)
Total Net (Expense) Revenue Governmental Activities	(5,465,716)	(3,290,498)
General Revenues & Interfund Transfers	4,334,755	5,070,998
Change in Net Assets	\$ (1,130,961)	\$ 1,780,500

Total resources available during the year to finance governmental operations were \$16,394,338 consisting of Net Assets at July 1, 2011 of \$8,548,242, Program Revenues of \$2,775,098 and General Revenues and Transfers of \$5,070,998. Total Governmental Activities during the year expended \$6,065,596; thus, Net Assets were increased by \$1,780,500 to \$10,328,742.

Business Type Activities

Business Type Activities increased the City's net assets by \$902,027.

The cost of all Proprietary Activities this year was \$10,517,412. As shown in the Statement of Activities, the amounts paid by users of the systems were \$11,357,604, resulting in total Net Revenue for Business Type Activities of \$840,192. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2011	2012
Electric System	\$ 535,483	\$ 699,629
Water System	(42,118)	67,706
Sewer System	(35,004)	13,332
Natural Gas System	168,804	59,525
Total Net (Expense) Revenue Business-Type Activities	627,165	840,192
General Revenues & Interfund Transfers	(236,789)	61,835
Change in Net Assets	\$ 390,376	\$ 902,027

Total resources available during the year to finance Proprietary Fund activities were \$32,829,172 consisting of Net Assets at July 1, 2011 of \$21,409,733, Program Revenues of \$11,357,604 and General Revenues of \$61,835. Total Proprietary Fund Activities during the year expended \$10,517,412; thus Net Assets were increased by \$902,027 to \$22,311,760.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$4,953,798. The combined Governmental Funds balance increased \$2,958,736 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General fund by \$74,192.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, expenditures exceeded revenues by \$105,167.

The Events Center is a Capital Project fund used to construct a new events center. At June 30, 2012 the events center had a \$167,601 deficit fund balance.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

General Fund Budgetary Highlights

Comparing the fiscal year 2012 original (adopted) city wide amount of \$59,503,246 to the final budget amount of \$67,875,146 shows a net increase of \$8,371,900.

The following table shows the government wide budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 813,388	\$ 790,598	\$ 22,790
Public Works	1,057,887	1,018,539	39,348
Culture and Recreation	1,316,392	1,265,084	51,308
Community and Economic Development	76,735	317,787	(241,052)
General Government	1,133,786	1,150,288	(16,502)
Capital Projects	4,982,105	5,601,071	(618,966)
Debt Service	5,869,437	3,433,442	2,435,995
Business-Type Activities	52,625,416	49,562,749	3,062,667
Total Expenditures	\$ 67,875,146	\$ 63,139,558	\$ 4,735,588

During the year there was a \$8,371,900 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$20,000 supplemental appropriation to the police and fire department for such costs as for a warning siren and aerial ladder repairs.
- \$42,400 supplemental appropriation to the street department for such costs as labor, misc. contract work to our streets and fuel.
- \$29,000 supplemental appropriation to the culture and recreation departments for repair of vehicles, roof repair to park shelters, and a new contract with the community of Alton for dial a ride services, which is a service to citizens who are unable to drive or walk.
- \$495,500 supplemental appropriation to our City Hall department for legal services and contributions to some other agencies. We also provided an economic development grant to our local development corporation for financing the Hawkeye building downtown.
- \$4,285,000 supplemental appropriation to our debt service fund for refinancing some of its existing debt to take advantage of favorable interest rates.
- \$3,500,000 supplemental appropriation to our municipal hospital for under budgeting their operations for the year.

A part of the increase was possible because of additional revenues. Those revenues included a distribution payment from Orange City Communications for \$375,000 as well as additional patient revenue from the hospital. The rest of the appropriations were paid with the fund balance from the general fund.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2012, was \$23,290,949 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for fiscal 2012 are as follows:

	General Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Land	\$ -	\$ 304,508	\$ -	\$ -
Infrastructure	6,000	222,911	-	-
Buildings	-	20,490	-	49,980
Improvements-Other than Buildings	-	430,276	-	-
Equipment	87,685	221,638	37,831	31,401
Utility Plant	355,063	-	355,063	377,182
Construction in Progress	1,192,008	4,683,232	220,320	4,109,789
Total Gross Additions	\$ 1,640,756	\$ 5,883,055	\$ 613,214	\$ 4,568,352

	Totals	
	2011	2012
Land	\$ -	\$ 304,508
Infrastructure	6,000	222,911
Buildings	-	70,470
Improvements-Other Buildings	-	430,276
Equipment	87,685	253,039
Utility Plant	355,063	377,182
Construction in Progress	1,192,008	8,793,021
Total Expenditures	\$ 1,640,756	\$10,451,407

Construction In Progress at June 30, 2012 for governmental activities consisted of costs associated with the Industrial Park Improvements, airport improvements, the Hwy 10 widening project and our new event center.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric substation, and the water treatment plant improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$25,960,000 of debt outstanding. Of this amount, \$15,325,000 comprises debt backed by the full faith and credit of the government. The remainder of \$10,635,000 is debt represented by bonds secured solely by the specified revenue sources (i.e., revenue bonds).

Debt administration is on track, with over 75% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$15,381,996. With outstanding General Obligation Debt applicable to this limit of \$12,828,229, we are utilizing 83.8% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Orange City worked hard in FY 2012 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

CITY OF ORANGE CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit	
	Governmental	Business-Type	Total	Orange City	Orange City Muni.
	Activities	Activities		Municipal Hospital	Golf Association
ASSETS					
Cash and Cash Equivalents	\$ 2,941,478	\$ 3,825,095	\$ 6,766,573	\$ 10,647,243	\$ 16,627
Investments	40,000	21,206	61,206	6,707,511	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	21,243	801,562	822,805	4,782,973	204
Taxes	5,006	-	5,006	-	-
Subsequent Year Taxes	2,953,370	-	2,953,370	-	-
Accrued Interest	-	-	-	24,272	-
Estimated Unbilled Usage	-	423,780	423,780	-	-
Special Assessments	44,148	-	44,148	-	-
TIF Receivable	-	70,100	70,100	-	-
Interfund Balances	(170,463)	170,463	-	-	-
Due from Other Governmental Agencies	143,844	456,780	600,624	-	-
Inventories	26,134	487,458	513,592	424,082	12,894
Prepaid Assets	76,394	55,679	132,073	93,100	-
Investment in Joint Venture	-	3,248,531	3,248,531	-	-
Other	-	-	-	143,261	-
Restricted Assets, Cash and Investments:					
Cash and Cash Equivalents	-	389	389	2,916,783	-
Temporary Cash Investments	2,414,659	1,548,928	3,963,587	-	-
Revenue Bond Current Debt Service Account -Cash & Cash Equivalents	-	460,000	460,000	-	-
Revenue Bond Future Debt Service Account - Cash & Cash Equivalents	-	913,000	913,000	-	-
Pledges Receivable	-	-	-	1,463,907	-
Bond Issue Costs	261,769	184,000	445,769	63,216	-
Land	1,063,946	380,478	1,444,424	1,174,427	-
Construction in Progress	5,651,955	4,331,416	9,983,371	3,248,402	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	13,735,345	16,664,459	30,399,804	26,788,242	1,610,993
Total Assets	29,208,828	34,043,324	63,252,152	58,477,419	1,640,718
LIABILITIES					
Accounts Payable	435,169	853,797	1,288,966	2,259,712	-
Accrued Wages	35,514	17,136	52,650	2,232,768	-
Accrued Expenses	-	28,265	28,265	105,878	8,620
Customer Deposits	-	28,005	28,005	-	-
Unearned Revenue	-	-	-	-	27,810
Deferred Revenue - Subsequent Year Taxes	2,953,370	-	2,953,370	-	-
Accrued Interest	32,357	-	32,357	-	-
Payables from Restricted Assets:					
Accrued Interest	-	92,839	92,839	422,258	-
Revenue Bonds - Current	-	628,350	628,350	675,000	-
Noncurrent Liabilities:					
Due within one year:					
Revenue Bonds Payable	-	1,661,650	1,661,650	23,351,350	-
General Obligation Bonds	3,475,000	-	3,475,000	-	-
Notes Payable	-	-	-	-	64,430
Compensated Absences and Benefits	75,868	16,499	92,367	-	-
Due in more than one year:					
Revenue Bonds Payable	-	8,345,000	8,345,000	-	-
General Obligation Bonds	11,850,000	-	11,850,000	-	-
Notes Payable	-	-	-	-	346,710
Other Post Employment Benefits	22,808	10,529	33,337	48,000	-
Compensated Absences and Benefits, Long-Term	-	49,494	49,494	-	-
Total Liabilities	18,880,086	11,731,564	30,611,650	29,094,966	447,570
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	10,326,246	12,336,353	22,662,599	7,184,721	1,199,853
Restricted for:					
Debt Service	-	1,234,478	1,234,478	1,813,143	-
Permanent Funds - nonexpendable	87,450	-	87,450	-	-
Specific Revenues	924,238	-	924,238	-	-
Donor Restrictions	-	-	-	1,934,227	-
Unrestricted	(1,009,192)	8,740,929	7,731,737	18,450,362	(6,705)
Total Net Assets	\$ 10,328,742	\$ 22,311,760	\$ 32,640,502	\$ 29,382,453	\$ 1,193,148

CITY OF ORANGE CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 828,199	\$ 43,050	\$ 131,237	\$ -
Public Works	1,778,275	241,952	564,833	377,350
Culture and Recreation	1,454,835	232,520	150,000	858,733
Community and Economic Development	317,481	81,442	37,401	-
General Government	1,144,619	46,580	10,000	-
Debt Service	542,187	-	-	-
Total governmental activities	<u>6,065,596</u>	<u>645,544</u>	<u>893,471</u>	<u>1,236,083</u>
Business-Type Activities:				
Electric Utility	6,941,319	7,640,948	-	-
Water Utility	909,721	977,427	-	-
Sewer Utility	596,619	609,951	-	-
Gas Utility	2,069,753	2,129,278	-	-
Total Business-Type Activities:	<u>10,517,412</u>	<u>11,357,604</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 16,583,008</u>	<u>\$ 12,003,148</u>	<u>\$ 893,471</u>	<u>\$ 1,236,083</u>
Component Unit:				
Orange City Municipal Hospital	<u>\$ 39,045,337</u>	<u>\$ 39,492,444</u>	<u>\$ 1,038,456</u>	<u>\$ 2,628,611</u>
Orange City Municipal Golf Association	<u>\$ 555,849</u>	<u>\$ 400,236</u>	<u>\$ 128,372</u>	<u>\$ -</u>

General Revenues:
Property taxes
Local Option Sales Tax
Interest
Gain on Sale of Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Orange City Municipal Hospital	Orange City Municipal Golf Ass'n.
\$ (653,912)		\$ (653,912)		
(594,140)		(594,140)		
(213,582)		(213,582)		
(198,638)		(198,638)		
(1,088,039)		(1,088,039)		
(542,187)		(542,187)		
<u>(3,290,498)</u>		<u>(3,290,498)</u>		
	\$ 699,629	699,629		
	67,706	67,706		
	13,332	13,332		
	59,525	59,525		
	<u>840,192</u>	<u>840,192</u>		
<u>(3,290,498)</u>	<u>840,192</u>	<u>(2,450,306)</u>		
			\$ 4,114,174	\$ (27,241)
3,265,842	-	3,265,842	-	-
669,520	-	669,520	-	-
11,297	18,772	30,069	181,235	-
94,548	-	94,548	-	6,500
117,618	955,236	1,072,854	631	-
912,173	(912,173)	-	-	-
<u>5,070,998</u>	<u>61,835</u>	<u>5,132,833</u>	<u>181,866</u>	<u>6,500</u>
1,780,500	902,027	2,682,527	4,296,040	(20,741)
8,548,242	21,409,733	29,957,975	25,086,413	1,213,889
<u>\$ 10,328,742</u>	<u>\$ 22,311,760</u>	<u>\$ 32,640,502</u>	<u>\$ 29,382,453</u>	<u>\$ 1,193,148</u>

CITY OF ORANGE CITY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2012

	General	Road Use Tax	Debt Service
Assets			
Cash and Pooled Investments	\$ 1,837,813	\$ 235,749	\$ 79,715
Investments	40,000	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	21,243	-	-
Taxes	2,609	-	2,397
Subsequent Year Taxes	1,255,209	-	1,269,706
Special Assessments	44,148	-	-
Due from Other Governmental Agencies	101,841	42,003	-
Inventories	-	26,134	-
Restricted Assets, Cash and Investments:			
Temporary Cash Investments	-	-	2,414,659
Total Assets	<u>3,302,863</u>	<u>303,886</u>	<u>3,766,477</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	187,149	-	-
Accrued Wages	35,514	-	-
Due to Other Funds	97,500	-	-
Deferred Revenue	41,568	-	-
Deferred Revenue - Subsequent Year Taxes	1,255,209	-	1,269,706
Total Liabilities	<u>1,616,940</u>	<u>-</u>	<u>1,269,706</u>
Fund Balances:			
Nonspendable			
Inventories	-	26,134	-
Permanent Fund Principal	-	-	-
Spendable			
Restricted for			
Debt Service	-	-	2,496,771
TIF	-	-	-
Road Use Tax	-	277,752	-
Assigned for			
Capital Project	-	-	-
Unassigned	1,685,923	-	-
Total Fund Balances (Deficits)	<u>1,685,923</u>	<u>303,886</u>	<u>2,496,771</u>
Total Liabilities and Equity	<u>\$ 3,302,863</u>	<u>\$ 303,886</u>	<u>\$ 3,766,477</u>

See Accompanying Notes to Financial Statements

Events Center	Other Governmental Funds	Total Governmental Funds
\$ 80,399	\$ 707,802	\$ 2,941,478
-	-	40,000
-	-	21,243
-	-	5,006
111,455	317,000	2,953,370
-	-	44,148
-	-	143,844
-	-	26,134
-	-	2,414,659
191,854	1,024,802	8,589,882

248,000	20	435,169
-	-	35,514
-	72,963	170,463
-	-	41,568
111,455	317,000	2,953,370
359,455	389,983	3,636,084

-	-	26,134
-	87,450	87,450
-	-	2,496,771
-	614,352	614,352
-	-	277,752
-	6,000	6,000
(167,601)	(72,983)	1,445,339
(167,601)	634,819	4,953,798
\$ 191,854	\$ 1,024,802	\$ 8,589,882

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 27)	\$ 4,953,798
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	20,451,246
Deferred revenues that provide current financial resources for governmental activities	41,568
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(32,357)
Accrued compensated absences and other post employment benefits not reported on the modified accrual basis	(98,676)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	261,769
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	76,394
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(15,325,000)</u>
Total Net Assets - Governmental Activities (page 23)	<u><u>\$ 10,328,742</u></u>

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2012

	General	Road Use Tax	Debt Service
Revenue:			
Taxes	\$ 1,217,157	\$ -	\$ 1,361,900
Licenses and Permits	5,288	-	-
Intergovernmental	168,638	564,833	-
Charges for Services	535,950	-	-
Fines and Forfeits	44,919	-	-
Contributions from Property Owners	2,029	-	-
TIF Revenue	218,357	-	-
Local Option Sales Tax	669,520	-	-
Proceeds from Sale of Real Estate	-	-	-
Interest on Investments	4,864	-	6,433
Miscellaneous	132,706	-	43,345
Total Revenue	<u>2,999,428</u>	<u>564,833</u>	<u>1,411,678</u>
Expenditures:			
Public Safety	790,598	-	-
Public Works	1,018,539	-	-
Culture and Recreation	1,265,084	-	-
Community and Economic Development	317,787	-	-
General Government	1,150,288	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	920,000
Interest	-	-	579,387
Total Expenditures	<u>4,542,296</u>	<u>-</u>	<u>1,499,387</u>
Excess (deficiency) of revenues over expenditures	<u>(1,542,868)</u>	<u>564,833</u>	<u>(87,709)</u>
Other financing sources (uses):			
Refunding Bonds Issued	-	-	4,285,000
Issuance of Debt	425,000	-	-
Refunding Bonds Retired	-	-	(1,765,000)
Transfers In	1,323,321	-	-
Transfers Out	(131,261)	(670,000)	-
Total other financing sources (uses)	<u>1,617,060</u>	<u>(670,000)</u>	<u>2,520,000</u>
Net Change in Fund Balance	74,192	(105,167)	2,432,291
Fund balances (Deficits)-beginning of year	1,611,731	406,719	64,480
Increase in Reserve for Inventory	-	2,334	-
Fund balances (Deficits)- end of year	<u>\$ 1,685,923</u>	<u>\$ 303,886</u>	<u>\$ 2,496,771</u>

See Accompanying Notes to Financial Statements

Events Center	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,579,057
-	-	5,288
858,733	377,350	1,969,554
-	-	535,950
-	-	44,919
-	-	2,029
104,131	366,412	688,900
-	-	669,520
-	94,548	94,548
-	-	11,297
150,000	8,925	334,976
1,112,864	847,235	6,936,038
-	-	790,598
-	-	1,018,539
-	-	1,265,084
-	-	317,787
-	-	1,150,288
3,764,473	1,836,598	5,601,071
-	85,000	1,005,000
36,198	47,857	663,442
3,800,671	1,969,455	11,811,809
(2,687,807)	(1,122,220)	(4,875,771)
-	-	4,285,000
3,000,000	975,000	4,400,000
-	-	(1,765,000)
204,005	191,261	1,718,587
-	(5,153)	(806,414)
3,204,005	1,161,108	7,832,173
516,198	38,888	2,956,402
(683,799)	595,931	1,995,062
-	-	2,334
\$ (167,601)	\$ 634,819	\$ 4,953,798

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 30)	\$ 2,958,736
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense was exceeded by capital outlay in the current year as follows:

Expenditures for capital assets	\$ 5,733,104	
Depreciation expense	<u>(1,117,372)</u>	4,615,732

Revenues reported in the funds that are not available to provide current financial resources	(2,115)
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Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources	4,033
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Accrued interest expense that does not require current financial resources	4,976
--	-------

Long-term accrual of compensated absences and post employment benefits are not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	(2,141)
--	---------

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(8,685,000)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	116,279
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The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>2,770,000</u>
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Change in net assets of governmental activities (page 25)	<u><u>\$ 1,780,500</u></u>
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CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2012

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,668,899	\$ 779,891	557,409
Investments	-	-	21,206
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	608,853	89,504	52,394
Estimated Unbilled Usage	333,409	45,971	19,705
TIF Receivable	39,331	-	30,769
Due from Other Funds	170,463	-	-
Due from Other Governmental Agencies	456,780	-	-
Inventories	436,062	16,468	-
Prepaid Assets	26,726	13,363	8,352
Total Current Assets	<u>3,740,523</u>	<u>945,197</u>	<u>689,835</u>
Non Current Assets			
Investment in Joint Venture	2,271,941	976,590	-
Restricted Assets:			
Revenue Bond Current Debt Service - Cash	389	-	-
Temporary Cash Investments	-	1,548,928	-
Revenue Bond Current Debt			
Service Account - Cash & Cash Equivalents	240,000	175,000	25,000
Revenue Bond Future Debt			
Service Account - Cash & Cash Equivalents	484,500	303,000	39,000
Bond Issue Costs	82,500	70,013	7,482
Land	27,539	103,786	249,153
Construction in Progress	2,979,684	1,351,732	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>7,369,846</u>	<u>4,219,539</u>	<u>3,699,387</u>
Total Noncurrent Assets	<u>13,456,399</u>	<u>8,748,588</u>	<u>4,020,022</u>
Total Assets	<u>17,196,922</u>	<u>9,693,785</u>	<u>4,709,857</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	703,364	53,662	5,992
Accrued Wages	7,772	3,936	2,730
Accrued Expenses	20,465	4,288	1,398
Customer Deposits	17,045	-	-
Payables from Restricted Assets:			
Accrued Revenue Bond Interest	23,941	65,653	650
Revenue Bonds - Current	<u>320,000</u>	<u>145,000</u>	<u>63,350</u>
Total Current Liabilities	<u>1,092,587</u>	<u>272,539</u>	<u>74,120</u>
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	1,595,000	66,650
Compensated Absences	8,027	3,348	2,432
Due in more than one year:			
Revenue Bonds Payable	4,525,000	2,795,000	260,000
Other Post Employment Benefits	5,317	3,092	-
Compensated Absences and Benefits, Long-Term	<u>24,080</u>	<u>10,044</u>	<u>7,296</u>
Total Liabilities	<u>5,655,011</u>	<u>4,679,023</u>	<u>410,498</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	5,532,069	2,735,057	3,558,540
Restricted for:			
Debt Service	700,948	366,275	63,350
Unrestricted	<u>5,308,894</u>	<u>1,913,430</u>	<u>677,469</u>
Total Net Assets	<u>\$ 11,541,911</u>	<u>\$ 5,014,762</u>	<u>\$ 4,299,359</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
	Gas Utility	Total
\$	818,896	\$ 3,825,095
	-	21,206
	50,811	801,562
	24,695	423,780
	-	70,100
	-	170,463
	-	456,780
	34,928	487,458
	7,238	55,679
	<u>936,568</u>	<u>6,312,123</u>
	-	3,248,531
	-	389
	-	1,548,928
	20,000	460,000
	86,500	913,000
	24,005	184,000
	-	380,478
	-	4,331,416
	<u>1,375,687</u>	<u>16,664,459</u>
	<u>1,506,192</u>	<u>27,731,201</u>
	<u>2,442,760</u>	<u>34,043,324</u>
	90,779	853,797
	2,698	17,136
	2,114	28,265
	10,960	28,005
	2,595	92,839
	<u>100,000</u>	<u>628,350</u>
	<u>209,146</u>	<u>1,648,392</u>
	-	1,661,650
	2,692	16,499
	765,000	8,345,000
	2,120	10,529
	8,074	49,494
	<u>987,032</u>	<u>11,731,564</u>
	510,687	12,336,353
	103,905	1,234,478
	841,136	8,740,929
\$	<u>1,455,728</u>	<u>\$ 22,311,760</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
Operating Revenues:			
Charges for Services	\$ 7,640,948	\$ 977,427	\$ 609,951
Total Operating Revenue	<u>7,640,948</u>	<u>977,427</u>	<u>609,951</u>
Operating Expenses:			
Production	5,100,457	198,465	145,710
Transmission	262,072	1,230	-
Distribution / Collection	472,545	167,839	98,710
Administrative and General	359,314	171,727	152,077
Depreciation	392,075	241,659	182,391
Total Operating Expenses	<u>6,586,463</u>	<u>780,920</u>	<u>578,888</u>
Operating Income	1,054,485	196,507	31,063
Non-Operating Income (Expense):			
Interest Income	15,654	1,395	1,573
Other Non-operating Revenues	654,359	291,323	8,010
Interest Expense	(95,348)	(117,801)	(10,731)
Other Non-operating Expenses	(259,508)	(11,000)	(7,000)
Total Non-Operating Income (Expenses)	<u>315,157</u>	<u>163,917</u>	<u>(8,148)</u>
Income (Loss) before Transfers	1,369,642	360,424	22,915
Transfers In	-	1,148	-
Transfers Out	<u>(492,321)</u>	<u>(298,000)</u>	<u>(23,000)</u>
Change in Net Assets	877,321	63,572	(85)
Net Assets - Beginning	10,664,590	4,951,190	4,299,444
Net Assets - Ending	<u>\$ 11,541,911</u>	<u>\$ 5,014,762</u>	<u>\$ 4,299,359</u>

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 2,129,278	\$ 11,357,604
<u>2,129,278</u>	<u>11,357,604</u>
-	5,444,632
1,667,570	1,930,872
138,689	877,783
167,242	850,360
72,758	888,883
<u>2,046,259</u>	<u>9,992,530</u>
83,019	1,365,074
150	18,772
1,544	955,236
(23,494)	(247,374)
-	(277,508)
<u>(21,800)</u>	<u>449,126</u>
61,219	1,814,200
-	1,148
<u>(100,000)</u>	<u>(913,321)</u>
(38,781)	902,027
1,494,509	21,409,733
<u>\$ 1,455,728</u>	<u>\$ 22,311,760</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 7,630,418	\$ 944,740	\$ 603,285
Cash Paid to Suppliers for Goods and Services	(5,666,526)	(304,125)	(295,373)
Cash Paid to Employees for Services	(548,116)	(278,446)	(178,201)
Other Nonoperating Income	654,359	395,601	8,010
Other Nonoperating Expenses	(259,508)	(11,000)	(7,000)
Net Cash Provided by Operating Activities	<u>1,810,627</u>	<u>746,770</u>	<u>130,721</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) Decrease in Investment in Joint Venture	(674,094)	-	-
Acquisition and Construction of Capital Assets	(2,968,536)	(1,339,488)	(173,927)
Due From Other Governments	(115,423)	-	-
Proceeds from Issuance of Debt	3,934,000	2,740,882	511,680
Principal Paid on Notes and Bonds	(1,320,000)	(110,000)	(630,000)
Interest Paid on Notes and Bonds	(81,493)	(81,360)	(11,201)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,225,546)</u>	<u>1,210,034</u>	<u>(303,448)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	(492,321)	(296,852)	(23,000)
TIF Receivable	(23,795)	-	7,895
Due From (To) Other Funds	646,946	3,250	-
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>130,830</u>	<u>(293,602)</u>	<u>(15,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investment Securities	(724,500)	(1,631,928)	-
Proceeds from Sale of Investment Securities	724,500	478,000	250,000
Interest and Dividends on Investments	15,654	1,500	1,643
Net Cash Provided (Used) by Investing Activities	<u>15,654</u>	<u>(1,152,428)</u>	<u>251,643</u>
Net Increase(Decrease) in Cash and Cash Equivalents	731,565	510,774	63,811
Cash and Cash Equivalents at Beginning of Year	<u>1,662,223</u>	<u>747,117</u>	<u>557,598</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,393,788</u>	<u>\$ 1,257,891</u>	<u>\$ 621,409</u>

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 2,193,583	\$ 11,372,026
(1,850,355)	(8,116,379)
(176,732)	(1,181,495)
1,544	1,059,514
-	(277,508)
<u>168,040</u>	<u>2,856,158</u>
-	(674,094)
(17,431)	(4,499,382)
-	(115,423)
918,638	8,105,200
(1,125,000)	(3,185,000)
(25,417)	(199,471)
<u>(249,210)</u>	<u>(568,170)</u>
(100,000)	(912,173)
-	(15,900)
-	650,196
<u>(100,000)</u>	<u>(277,877)</u>
-	(2,356,428)
130,500	1,583,000
<u>178</u>	<u>18,975</u>
<u>130,678</u>	<u>(754,453)</u>
(50,492)	1,255,658
<u>975,888</u>	<u>3,942,826</u>
<u>\$ 925,396</u>	<u>\$ 5,198,484</u>

continued

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,054,485	\$ 196,507	\$ 31,063
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	392,075	241,659	182,391
Other Non-Operating Income	654,359	395,601	8,010
Other Non-Operating Expenses	(259,508)	(11,000)	(7,000)
(Increase) Decrease in Assets:			
Accounts Receivable	(14,473)	(32,177)	(6,666)
Other	4,898	-	-
Inventories	(37,378)	1,532	-
Prepaid Expenses	(4,574)	(777)	710
Increase (Decrease) in Liabilities			
Accounts Payable	26,387	(45,934)	(79,328)
Accrued Wages and Compensated Absences	(2,390)	857	1,324
Accrued Expenses	(2,388)	608	217
Customer Deposits	1,278	-	-
OPEB Liability	(2,144)	(106)	-
Total Adjustments	756,142	550,263	99,658
Net Cash Provided by Operating Activities	1,810,627	746,770	130,721
Cash and Cash Equivalents	1,668,899	779,891	557,409
Revenue Bond Future Debt Service	484,500	303,000	39,000
Revenue Bond Current Debt Service	240,389	175,000	25,000
Total Cash and Cash Equivalents	\$ 2,393,788	\$ 1,257,891	\$ 621,409

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 83,019	\$ 1,365,074
72,758	888,883
1,544	1,059,514
-	(277,508)
66,807	13,491
-	4,898
(3,991)	(39,837)
(693)	(5,334)
(50,074)	(148,949)
372	163
(1,939)	(3,502)
250	1,528
(13)	(2,263)
85,021	1,491,084
168,040	2,856,158
818,896	3,825,095
86,500	913,000
20,000	460,389
\$ 925,396	\$ 5,198,484

CITY OF ORANGE CITY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
JUNE 30, 2012

ASSETS

Cash and Cash Equivalents	\$ 31,585
Total Assets	31,585

LIABILITIES

Accounts Payable	31,585
Total Liabilities	\$ 31,585

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Orange City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Orange City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data. The municipal hospital is financially accountable to the City through budget responsibilities and debt issue restrictions.

Discretely Presented Component Unit – Orange City Municipal Golf Association's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. The Municipal Golf Association is financially accountable to the City through the City's involvement in providing the Association with financing and subsidizing Association operating losses.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

B. Basic Financial Statements-Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital project and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Funds - The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Project Funds – Events Center Fund is used to account for construction and financing of a new events center.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency fund includes the payroll clearing fund.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the Community and Economic Development, General Government and Capital Project functions.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
<u>City</u>	
Nonnegotiable Certificates of Deposit	Cost
Iowa Public Agency Investment Trust	Fair Value determined by current share price
<u>Component Unit</u>	
Interest-earning investment contracts	
Nonnegotiable certificates of deposit	Cost
<u>Open-end mutual funds</u>	
(governmental external investment pool registered As an investment company)	Fair Value determined by current share price
<u>Publicly traded mutual funds</u>	Fair Value based on quoted market prices
<u>Debt Securities</u>	
Negotiable certificates of deposit and U.S. Government Agency Securities	
Maturity of one year or less when purchased	Amortized cost
Maturity to more than one year when purchased	Fair Value based on quoted Market prices

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011. Any county collections on the 2011-2012 tax levy remitted to the City within 60 days subsequent to June 30, 2012, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2012, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component units is valued at cost using FIFO.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Restricted Assets

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

L. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings & Improvements	25 – 50 Years
Land Improvements	20 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 – 20 Years
Vehicles	5 – 20 Years
Infrastructure	10 – 65 Years

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability for this and any related benefits is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts and related benefits is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

P. Landfill Closure Costs

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

Q. Classifying Fund Balance Amounts

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

R. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of future year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2012, were entirely covered by Federal Depository Insurance collateralized or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30 the primary governments investments were reported at fair value as follows:

	Credit Risk	Maturities	Fair Value	Interest Rates
U.S. State and Local Government Securities	N/A	8/01/13	\$ 1,548,928	.18%
U.S. Treasury Notes	N/A	5/31/13	2,414,659	.50%
Iowa Public Agency Investment Trust	Not Rated	Daily	61,206	.012%
Totals			<u>\$ 4,024,793</u>	

As of June 30, 2012, the City's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

Interest Rate Risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Component Unit: The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2012, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

	<u>Maturities</u>	
Edward D. Jones & Co., money market funds	Daily	\$ 623
Negotiable certificates of deposit	08/07/12-03/20/13	830,651
U.S. Government agency securities	11/15/28-11/01/31	8,905
Mutual Funds	Daily	815,850
Iowa Public Agency Investment Trust	Daily	5,051,482
Totals		<u>\$ 6,707,511</u>

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

There were no significant changes in investments held during the fiscal year ended June 30, 2012.

Note 3 - PLEDGES RECEIVABLE

At June 30, 2012, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus.

A summary of the activity in pledges receivable for the year ended June 30, 2012 is as follows:

Beginning pledges receivable	\$ 127,894
Pledges made during the year	2,836,622
Pledge payments received	(1,292,598)
Increase in discount of future payments receivable	(123,011)
Increase in allowance for uncollectible pledges receivable	(85,000)
Total	<u>\$ 1,463,907</u>

Pledges receivable are expected to be received during the fiscal years ending June 30, as follows:

2013	\$ 552,276
2014	534,265
2015	347,783
2016	\$ 237,594

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2012, amounts due from other governments were as follows:

Due from Orange City Municipal Golf Association	\$ 456,780
Due from the Iowa Department of Transportation for road use tax allocations	42,003
Due from Sioux County for court fees and fines	1,695
Due from the State of Iowa for local option sales taxes	100,146
Total Due from Other Governments	<u>\$ 600,624</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2012, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Electric Fund	Nonmajor Governmental Fund	\$ 72,963
Electric Fund	General Fund	97,500
		<u>\$ 170,463</u>

Interfund receivables and payables are used to record negative pooled cash and to record money advanced to internally finance various projects.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 759,438	\$ 304,508	\$ -	\$ 1,063,946
Construction in Progress	1,113,667	4,683,232	144,944	5,651,955
Total capital assets not being depreciated	<u>1,873,105</u>	<u>4,987,740</u>	<u>144,944</u>	<u>6,715,901</u>
Capital assets being depreciated:				
Buildings	4,987,107	20,490	-	5,007,597
Improvements	4,135,199	430,276	-	4,565,475
Equipment	3,101,437	221,638	164,013	3,159,062
Infrastructure	31,983,528	222,911	-	32,206,439
Total capital assets being depreciated	<u>44,207,271</u>	<u>895,315</u>	<u>164,013</u>	<u>44,938,573</u>
Less: Accumulated Depreciation for:				
Buildings	2,985,001	153,348	-	3,138,349
Improvements	1,482,455	242,078	-	1,724,533
Equipment	1,724,977	209,735	159,006	1,775,706
Infrastructure	24,052,429	512,211	-	24,564,640
Total Accumulated Depreciation	<u>30,244,862</u>	<u>1,117,372</u>	<u>159,006</u>	<u>31,203,228</u>
Total capital assets being depreciated, net	<u>13,962,409</u>	<u>(222,057)</u>	<u>5,007</u>	<u>13,735,345</u>
Governmental activities capital assets, net	<u>\$ 15,835,514</u>	<u>\$ 4,765,683</u>	<u>\$ 149,951</u>	<u>\$ 20,451,246</u>

Construction in progress at June 30, 2012, for the governmental activities consisted of the Industrial Park/Franhurt Place and the new events center.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 380,478	\$ -	\$ -	\$ 380,478
Construction in Progress	221,627	4,109,789	-	4,331,416
Total capital assets not being depreciated	602,105	4,109,789	-	4,711,894
Capital assets being depreciated:				
Buildings	3,336,647	49,980	-	3,386,627
Improvements	30,243	-	-	30,243
Equipment	3,538,124	31,401	-	3,569,525
Utility Plant	22,750,571	377,182	-	23,127,753
Total capital assets being depreciated	29,655,585	458,563	-	30,114,148
Less: Accumulated Depreciation for:				
Buildings	1,280,213	83,034	-	1,363,247
Improvements	7,793	3,024	-	10,817
Equipment	2,121,818	186,907	-	2,308,725
Utility Plant	9,150,982	615,918	-	9,766,900
Total Accumulated Depreciation	12,560,806	888,883	-	13,449,689
Total capital assets being depreciated, net	17,094,779	(430,320)	-	16,664,459
Business-type activities capital assets, net	\$17,696,884	\$3,679,469	\$ -	\$ 21,376,353

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 110,098
Public Works	772,959
Culture and Recreation	214,646
General Government	19,669
Total depreciation expense – governmental activities	<u>\$ 1,117,372</u>
Business-Type Activities:	
Electric	\$ 392,075
Water	241,659
Sewer	182,391
Gas	72,758
Total depreciation expense – business-type activities	<u>\$ 888,883</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component units are as follows:

Orange City Municipal Hospital

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 1,174,427	\$ -	\$ -	\$ 1,174,427
Construction in progress	346,307	2,902,095	-	3,248,402
Total capital assets not being depreciated	1,520,734	2,902,095	-	4,422,829
Capital assets being depreciated:				
Land Improvements	2,332,209	13,300	-	2,345,509
Buildings	17,652,859	-	-	17,652,859
Fixed Equipment	23,375,182	40,066	-	23,415,248
Major Movable Equipment	12,432,812	297,418	26,555	12,703,675
Total capital assets being depreciated	55,793,062	350,784	26,555	56,117,291
Less: Accumulated Depreciation	26,823,570	2,532,034	26,555	29,329,049
Total capital assets being depreciated, net	28,969,492	(2,181,250)	-	26,788,242
Governmental Activities Capital Assets-net	\$ 30,490,226	\$ 720,845	\$ -	\$ 31,211,071

Orange City Municipal Golf Association

	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
Golf Course and Trail	\$ 1,480,714	\$ -	\$ -	\$ 1,480,714
Buildings	561,162	4,136	3,197	562,101
Equipment	402,975	69,991	35,397	437,569
Total	2,444,851	74,127	38,594	2,480,384
Less Accumulated Depreciation	834,976	71,139	36,724	869,391
Property and Equipment - Net	\$ 1,609,875	\$ 2,988	\$ 1,870	\$ 1,610,993

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 6 - CAPITAL ASSETS – (Continued)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit	
			Hospital	Golf Course
Land	\$ 1,063,946	\$ 380,478	\$ 1,174,427	\$ -
Construction in Progress	5,651,955	4,331,416	3,248,402	-
Capital Assets (net of accumulated depreciation)	13,735,345	16,664,459	26,788,242	1,610,993
Less: General Obligation Bonds Payable	10,125,000	-	-	-
Revenue Bonds	-	9,040,000	24,026,350	-
Note Payable	-	-	-	411,140
Invested in Capital Assets, Net of Related Debt	\$ 10,326,246	\$ 12,336,353	\$ 7,184,721	\$ 1,199,853

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding as of June 30, 2012 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities	.40 – 4.95%	\$ 15,325,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 3,475,000	\$ 407,937	\$ 3,882,937
2014	1,185,000	276,931	1,461,931
2015	1,215,000	261,918	1,476,918
2016	1,205,000	245,108	1,450,108
2017	1,225,000	225,560	1,450,560
2018-2022	3,990,000	803,676	4,793,676
2023-2027	1,980,000	381,704	2,361,704
2028-2032	1,050,000	97,482	1,147,482
Total	\$ 15,325,000	\$ 2,700,316	\$ 18,025,316

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 - LONG-TERM DEBT – (Continued)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

Revenue bonds outstanding at June 30, 2012 are as follows:

Primary Government

Purpose	Interest Rates	Amounts
Electric Revenue Bonds	.35 – 4.78%	\$ 4,845,000
Water Revenue Bonds	.90 – 5.10%	4,535,000
Sewer Revenue Bonds	.55 – 1.25%	390,000
Gas Revenue Bonds	3.8 – 4.80%	865,000
		<u>\$ 10,635,000</u>

New Debt Issues:

On August 23, 2011 the City issued \$2,505,000 of General Obligation Capital Loan Notes, Series 2011B with an average interest rate of 2.55%, with annual maturities from June 2014 through June 2024. The net proceeds were used to crossover refund the 2004 Hospital General Obligation Capital Loan Notes. The crossover date is June 2013. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The net present value of the cash flow savings is \$130,902.

On April 24, 2012 the City issued \$1,870,000 of General Obligation Capital Loan Notes, Series 2012B with an average interest rate of 1.17%, with annual maturities from June 2013 through June 2021. The net proceeds were used to refund the 2006 and 2007 General Obligation Capital Loan Notes and to fund a portion of the construction of the new events center.

On July 7, 2011 the City issued \$3,885,000 of General Obligation Capital Loan Notes, Series 2012B with an average interest rate of 2.80%, with annual maturities from June 2012 through 2028. The net proceeds were used to refund the 2002 and 2006 General Obligation Capital Loan Notes and to fund a portion of the construction of the new events center.

On December 21, 2011 the City issued \$425,000 of General Obligation Capital Loan Notes, Series 2011G with an average interest rate of 3.32%, with annual maturities from June 2014 through June 2031. The net proceeds were used to fund various urban renewal projects.

On March 27, 2012 the City issued \$4,000,000 of Electric Revenue Capital Loan Notes, Series 2012A with an average interest rate of 2.32%, with annual maturities from November 2012 through November 2031. The net proceeds were used to refund the 2003 Electric Revenue Capital Loan Notes and to fund construction of a new electric substation.

On December 21, 2011 the City issued \$1,595,000 of Water Revenue Capital Loan Notes, Series

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 - LONG-TERM DEBT – (Continued)

2011F with an average interest rate of 2.10%, with annual maturities from August 2014 through August 2024. The net proceeds were used to crossover refund the 2003 Water Revenue Capital Loan Notes. The crossover date is June 2013. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The net present value of the cash flow savings is \$133,488.

On December 21, 2011 the City issued \$1,200,000 of Water Revenue Capital Loan Notes, Series 2011E with an average interest rate of 3.12%, with annual maturities from August 2013 through August 2031. The net proceeds were used to fund construction of a new ground water storage project.

On August 23, 2011 the City issued \$520,000 of Sewer Revenue Capital Loan Notes, Series 2011C with an average interest rate of 3.12%, with annual maturities from May 2012 through May 2015. The net proceeds were used to refund the 2001 Sewer Revenue Capital Loan Notes.

On August 23, 2011 the City issued \$935,000 of Gas Revenue Capital Loan Notes, Series 2011D with an average interest rate of 2.09%, with annual maturities from May 2012 through May 2020. The net proceeds were used to refund the 2003 Gas Revenue Capital Loan Notes.

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	3.50 – 5.60%	\$ 24,168,001
Hospital/Component Unit	0.0%	72,000
		<u>\$ 24,240,001</u>

The amount presented on the statement of Net Assets is shown net of Bond discounts of \$213,651.

Revenue bond debt service requirements to maturity are as follows:

Primary Government

Year Ending June 30,	Business-Type Activities					
	Electric Principal	Sewer Principal	Water Principal	Gas Principal	Interest	Total
2013	\$ 320,000	\$ 130,000	\$ 1,740,000	\$ 100,000	\$ 242,451	\$ 2,532,451
2014	345,000	130,000	50,000	105,000	201,408	831,408
2015	350,000	130,000	205,000	105,000	170,445	960,445
2016	360,000	-	210,000	105,000	159,948	834,948
2017	365,000	-	210,000	110,000	149,660	834,660
2018-2022	1,470,000	-	1,105,000	340,000	548,699	3,463,699
2023-2027	760,000	-	635,000	-	282,445	1,677,445
2028-2032	875,000	-	380,000	-	103,331	1,358,331
Total	\$ 4,845,000	\$ 390,000	\$ 4,535,000	\$ 865,000	\$ 1,858,387	\$ 12,493,387

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 - LONG-TERM DEBT – (Continued)

Component Unit

Year Ending June 30,	Subordinate Revenue Capital Loan Note		Revenue Notes Payable		Total
	Principal	Interest	Principal	Interest	
2013	\$ 72,000	\$ -	\$ 675,000	\$ 1,252,443	\$ 1,999,443
2014	-	-	755,001	1,222,888	1,977,889
2015	-	-	735,000	1,191,573	1,926,573
2016	-	-	770,000	1,158,318	1,928,318
2017	-	-	805,000	1,122,938	1,927,938
2018-2022	-	-	4,645,000	4,995,293	9,640,293
2023-2027	-	-	6,025,000	3,610,063	9,635,063
2028-2032	-	-	7,955,000	1,688,393	9,643,393
2033	-	-	1,875,000	52,500	1,927,500
Total	72,000	-	24,240,001	16,294,409	40,606,410
Less unamortized discount	-	-	(213,651)	-	(213,651)
Total	\$ 72,000	\$ -	\$ 24,026,350	\$ 16,294,409	\$ 40,392,759

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 9,410,000	\$ 8,685,000	\$ 2,770,000	\$ 15,325,000	\$ 3,475,000
Compensated Absences	73,795	75,868	73,795	75,868	75,868
Other Post Employment Benefits	22,740	68	-	22,808	-
Governmental Activity Long-Term Liabilities	9,506,535	8,760,936	2,843,795	15,423,676	3,550,868
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	5,570,000	8,250,000	3,185,000	10,635,000	2,290,000
Compensated Absences	69,394	65,993	69,394	65,993	16,499
Other Post Employment Benefits	12,792	-	2,263	10,529	-
Business-Type Activity Long-Term Liabilities	5,652,186	8,315,993	3,256,657	10,711,522	2,306,499
Component Unit:					
Hospital					
Bonds Payable:					
Revenue Bonds	24,912,000	-	885,650	24,026,350	675,000
Other Post Employment Benefits	40,000	8,000	-	48,000	-
	24,952,000	8,000	885,650	24,074,350	675,000
Golf Course					
Notes Payable	-	411,140	-	411,140	64,430
Capital Lease	61,811	-	61,811	-	-
	\$ 61,811	\$ 411,140	\$ 61,811	\$ 411,140	\$ 64,430

The City maintains a policy prohibiting the accumulation of compensated absences thus the total ending balance represents the amount expected to be paid within one year.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	Events Center	Nonmajor Governmental	Water	Total Transfers Out
General	\$ -	\$ -	\$ 131,261	\$ -	\$ 131,261
Road Use Tax	610,000	-	60,000	-	670,000
Non Major Governmental	-	4,005	-	1,148	5,153
Water	298,000	-	-	-	298,000
Sewer	23,000	-	-	-	23,000
Electric	292,321	200,000	-	-	492,321
Gas	100,000	-	-	-	100,000
Total Transfers In	\$ 1,323,321	\$ 204,005	\$ 191,261	\$ 1,148	\$ 1,719,735

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38 percent of their annual covered salary and the City is required to contribute 8.07 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$150,051, \$134,259, and \$129,736, respectively, equal to the required contributions for each year.

In addition, the hospital component unit contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,262,932, \$1,064,491, and \$985,438, respectively, equal to the required contributions for each year.

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees. There are active and retired members in the plan. Participants must be age 55 or older at retirement.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

The medical/prescription drug coverage is provided through a premium only plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 10,243
Interest on net OPEB obligation	1,599
Adjustment to annual required contribution	<u>(2,182)</u>
Annual OPEB cost	9,660
Contributions made	<u>(11,955)</u>
Decrease in net OPEB obligation	(2,195)
Net OPEB obligation beginning of year	<u>35,532</u>
Net OPEB obligation end of year	<u><u>\$ 33,337</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011, which was used for June 30, 2012 financials as well.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010, 2011 and 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 9,660	8.7%	\$ 33,337
June 30, 2011	\$ 12,965	8.7%	\$ 35,532
June 30, 2010	\$ 12,965	8.7%	\$ 23,688

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$106,540, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$106,540. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,661,158 and the ratio of the UAAL to covered payroll was 6.4%. As of June 30, 2012, there were no trust fund assets.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date using the Alternative Measurement Method (AMM) permitted under GASB Statement, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5% ultimate rate.

Mortality rates are from the RP 2000 Mortality Table. Non-group specific age-based turnover data from Scale T-2 of the Actuary's Pension Handbook were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Projected claim costs of the medical plan are \$10,999 per year for retirees less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

In addition the Orange City Municipal Hospital maintains a similar plan with a net OPEB obligation at June 30, 2012 of \$48,000.

Note 11 - MAJOR CUSTOMER

During the year ended June 30, 2012, electric, water, sewer, and gas charges for services provided by the City to Advance Pierre Foods, Inc. were \$1,641,986, \$134,634, \$142,913 and \$544,954, respectively. This represents 21.5%, 13.8%, 23.4% and 25.6%, respectively, of total charges for services.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 12 - FUND BALANCE

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 28-29). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the City Administrator. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has Unassigned Fund Balance of \$1,685,923 at June 30, 2012.

Other Major Funds

The Road Use Tax Fund has a Restricted Fund Balance of \$277,752 consisting of primarily unspent funds used for street construction and maintenance. Inventory balances at June 30, 2012 of \$26,134 are considered Nonspendable Fund Balance.

The Debt Service Fund has a Restricted Fund Balance of \$2,496,771 consisting of primarily unspent funds used to pay general obligation bond principal and interest and funds invested for retirement of a crossover refunding bond in 2013.

Other Funds

The following non-major fund has Restricted Fund Balances for specific purposes:

TIF - Special Revenue Fund:	For housing projects and economic development	\$614,352
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The following non-major fund has an assigned fund balance for construction:

Park Improvement Project:	For park projects	\$ 6,000
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The following non-major fund has a Nonspendable Fund Balance:

Cemetery Perpetual Care:	For cemetery maintenance	\$ 87,450
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Note 13 - DEFICIT FUND EQUITY

The City has two funds with a deficit equity balances at June 30, 2012. The City intends to finance these deficits from various resources including; road use tax funds, general funds, and capital project debt financing.

The individual fund deficits were as follows:

Capital Project – Events Center.....	\$ 167,601
Capital Project – Industrial Park	72,983

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 14 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2011-2012 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

Note 15 - COMMITMENTS

At June 30, 2012 the City had five construction contracts in process with the following approximate contracts remaining:

Water Plant	\$ 2,340
Industrial Park	256,030
Events Center	10,822
Events Center	20,526
Electric Substation	13,589

In addition the City has committed \$750,000 of bonded debt to the Unity Christian performing arts center.

Note 16 - INVESTMENT IN JOINT VENTURE

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 26.81 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

Summary financial information of the joint venture for the year ended December 31, 2011 follows:

	<u>Total</u>
Assets	<u>\$ 8,660,677</u>
Liabilities	890,681
Equity	<u>7,769,996</u>
	<u>8,660,677</u>
Revenues	1,257,207
Expenses	1,356,717
Net (Decrease) in Equity	<u>\$ (99,510)</u>

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 16 - INVESTMENT IN JOINT VENTURE – (Continued)

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 50 percent share of the venture with Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2012 is as follows:

	Total
Assets	<u>\$ 3,587,298</u>
Liabilities	1,634,119
Equity	1,953,179
	<u>3,587,298</u>
Revenues	2,774,963
Expenses	2,233,519
Net Increase in Equity	<u><u>\$ 541,444</u></u>

CITY OF ORANGE CITY, IOWA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL AND PROPRIETARY FUNDS - GAAP BASIS**

For the Year Ended June 30, 2012

	Governmental Fund Type Actual	Proprietary Funds Actual
Revenue:		
Taxes	\$ 2,579,057	\$ -
Licenses and Permits	5,288	-
Intergovernmental	1,969,554	-
Charges for Services	535,950	11,357,604
Fines and Forfeits	44,919	-
Contributions from Property Owners	2,029	-
TIF Revenue	688,900	-
Local Option Sales Tax	669,520	-
Proceeds from Sale of Real Estate	94,548	-
Interest	11,297	18,772
Miscellaneous	334,976	955,236
Total Revenue	<u>6,936,038</u>	<u>12,331,612</u>
Expenditures:		
Public Safety	790,598	-
Public Works	1,018,539	-
Culture and Recreation	1,265,084	-
Community and Economic Development	317,787	-
General Government	1,150,288	-
Capital Projects	5,601,071	-
Debt Service	3,433,442	-
Business Type Activities	-	10,517,412
Total Expenditures	<u>13,576,809</u>	<u>10,517,412</u>
Excess (deficiency) of revenues over expenditures	(6,640,771)	1,814,200
Other financing sources (uses):		
Proceeds from Debt Financing	8,685,000	-
Interfund Transfers In	1,718,587	1,148
Interfund Transfers Out	(806,414)	(913,321)
Total other financing sources (uses)	<u>9,597,173</u>	<u>(912,173)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,956,402	902,027
Fund balances-beginning of year	1,995,062	21,409,733
Increase in Reserve for Inventory	2,334	-
Fund balances- end of year	<u>\$ 4,953,798</u>	<u>\$ 22,311,760</u>

Orange City Municipal Hospital	Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
		Original	Final	
\$ -	\$ 2,579,057	\$ 2,551,184	\$ 2,551,184	\$ 27,873
-	5,288	4,175	4,175	1,113
2,628,611	4,598,165	1,928,258	1,928,258	2,669,907
39,492,444	51,385,998	50,443,600	53,970,600	(2,584,602)
-	44,919	-	-	44,919
-	2,029	4,000	4,000	(1,971)
-	688,900	305,000	305,000	383,900
-	669,520	608,233	608,233	61,287
-	94,548	-	-	94,548
181,235	211,304	230,600	230,600	(19,296)
1,039,087	2,329,299	129,700	597,300	1,731,999
43,341,377	62,609,027	56,204,750	60,199,350	2,409,677
-	790,598	793,388	813,388	22,790
-	1,018,539	1,015,487	1,057,887	39,348
-	1,265,084	1,287,392	1,316,392	51,308
-	317,787	76,735	76,735	(241,052)
-	1,150,288	638,286	1,133,786	(16,502)
-	5,601,071	4,982,105	4,982,105	(618,966)
-	3,433,442	1,584,437	5,869,437	2,435,995
39,045,337	49,562,749	49,125,416	52,625,416	3,062,667
39,045,337	63,139,558	59,503,246	67,875,146	4,735,588
4,296,040	(530,531)	(3,298,496)	(7,675,796)	7,145,265
-	8,685,000	3,320,105	7,605,105	1,079,895
-	1,719,735	2,403,496	2,403,496	(683,761)
-	(1,719,735)	(2,403,496)	(2,403,496)	683,761
-	8,685,000	3,320,105	7,605,105	1,079,895
4,296,040	8,154,469	21,609	(70,691)	8,225,160
25,086,413	48,491,208	48,491,208	48,491,208	-
-	2,334	-	-	2,334
<u>\$ 29,382,453</u>	<u>\$ 56,648,011</u>	<u>\$ 48,512,817</u>	<u>\$ 48,420,517</u>	<u>\$ 8,227,494</u>

CITY OF ORANGE CITY, IOWA
Notes to Required Supplementary Information
June 30, 2012

The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2012, the City held public hearings and amended the operating budget once. The amendment is as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/21/12 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 793,388	\$ 20,000	\$ 813,388
Public Works	1,015,487	42,400	1,057,887
Culture & Recreation	1,287,392	29,000	1,316,392
Community and Economic Development	76,735	-	76,735
General Government	638,286	495,500	1,133,786
Capital Projects	4,982,105	-	4,982,105
Debt Service	1,584,437	4,285,000	5,869,437
Business Type/Enterprise	49,125,416	3,500,000	52,625,416

CITY OF ORANGE CITY, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
For the Year Ended June 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30	Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2009	*	\$ -	\$ 112,988	\$ 112,988	0.00%	\$ 1,574,483	7.2%
2010	July 1, 2009		\$ -	\$ 112,988	\$ 112,988	0.00%	\$ 1,574,483	7.2%
2011	July 1, 2009		\$ -	\$ 112,988	\$ 112,988	0.00%	\$ 1,574,483	7.2%
2012	July 1, 2011		\$ -	\$ 106,540	\$ 106,540	0.00%	\$ 1,661,158	6.4%

* Fiscal 2009 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

CITY OF ORANGE CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2012

	Special Revenue	Capital Projects		
	TIF	Highway 10 Widening Project	Hawkeye Project	Park Improvements
Assets				
Cash and Pooled Investments	\$ 612,899	\$ -	\$ 1,453	\$ 6,000
Receivables (Net, where applicable, of allowance for uncollectibles)				
Subsequent Year Taxes	315,000	-	2,000	-
Total Assets	<u>927,899</u>	<u>-</u>	<u>3,453</u>	<u>6,000</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	315,000	-	2,000	-
Total Liabilities	<u>315,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Permanent Fund Principal	-	-	-	-
Restricted for:				
TIF	612,899	-	1,453	-
Assigned for:				
Capital Projects	-	-	-	6,000
Unassigned				-
Total Fund Balances (Deficits)	<u>612,899</u>	<u>-</u>	<u>1,453</u>	<u>6,000</u>
Total Liabilities and Equity	<u>\$ 927,899</u>	<u>\$ -</u>	<u>\$ 3,453</u>	<u>\$ 6,000</u>

Capital Projects		Permanent	Total
Industrial Park	Airport Improvements	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
\$ -	\$ -	\$ 87,450	\$ 707,802
-	-	-	317,000
-	-	87,450	1,024,802
20	-	-	20
72,963	-	-	72,963
-	-	-	317,000
72,983	-	-	389,983
-	-	87,450	87,450
-	-	-	614,352
-	-	-	6,000
(72,983)	-	-	(72,983)
(72,983)	-	87,450	634,819
\$ -	\$ -	\$ 87,450	\$ 1,024,802

CITY OF ORANGE CITY, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Nonmajor Funds

For the Year Ended June 30, 2012

	Special Revenue	Capital Projects		
	TIF	Highway 10 Widening Project	Hawkeye Project	Park Improvements
Revenue:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
TIF Revenue	322,439	-	1,453	-
Proceeds from Sale of Real Estate	94,548	-	-	-
Miscellaneous	-	-	-	6,000
Total Revenue	416,987	-	1,453	6,000
Expenditures:				
Capital Projects	304,508	222,904	-	-
Debt Service:				
Principal Retirement	85,000	-	-	-
Interest	37,319	-	-	-
Total Expenditures	426,827	222,904	-	-
Excess (deficiency) of revenues over expenditures	(9,840)	(222,904)	1,453	6,000
Other financing sources (uses):				
Issuance of Debt	-	-	-	-
Transfers In	-	170,400	-	-
Transfers Out	(5,153)	-	-	-
Total other financing sources (uses)	(5,153)	170,400	-	-
Net Change in Fund Balance	(14,993)	(52,504)	1,453	6,000
Fund balances (Deficits)-beginning of year	627,892	52,504	-	-
Fund balances (Deficits)- end of year	\$ 612,899	\$ -	\$ 1,453	\$ 6,000

Capital Projects		Permanent Cemetery	Total Governmental
Industrial Park	Airport Improvements	Perpetual Care Fund	Nonmajor Funds
- \$	377,350 \$	- \$	377,350
42,520	-	-	366,412
-	-	-	94,548
-	-	2,925	8,925
42,520	377,350	2,925	847,235
910,975	398,211	-	1,836,598
-	-	-	85,000
10,538	-	-	47,857
921,513	398,211	-	1,969,455
(878,993)	(20,861)	2,925	(1,122,220)
975,000	-	-	975,000
-	20,861	-	191,261
-	-	-	(5,153)
975,000	20,861	-	1,161,108
96,007	-	2,925	38,888
(168,990)	-	84,525	595,931
\$ (72,983)	\$ -	\$ 87,450	\$ 634,819

CITY OF ORANGE CITY, IOWA
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 40,688	\$ 70,524	\$ 79,627	\$ 31,585
Total Assets	40,688	70,524	79,627	31,585
<u>Liabilities</u>				
Accounts Payable	40,688	70,524	79,627	31,585
Total Liabilities	\$ 40,688	\$ 70,524	\$ 79,627	\$ 31,585

STATISTICAL SECTION

This part of the City of Orange City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	75
These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.	
Revenue Capacity	78
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	82
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Operating Information	92
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
Demographic and Economic Information	96
These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Invested in capital assets, net of related debt	\$ 9,491,848	\$ 10,245,341	\$ 10,447,176	\$ 11,505,090	\$ 11,563,418	\$ 10,910,100	\$ 10,393,481	\$ 9,120,514	\$ 10,326,246
Restricted	95,709	104,647	103,957	109,467	96,313	93,701	1,469,772	1,183,616	1,011,888
Unrestricted	1,346,380	(3,044,617)	(2,496,606)	(2,131,149)	(1,054,152)	(1,186,561)	(2,184,050)	(1,755,888)	(1,009,192)
Total governmental activities net assets	\$ 10,933,937	\$ 7,305,371	\$ 8,054,527	\$ 9,483,408	\$ 10,605,579	\$ 9,817,240	\$ 9,679,203	\$ 8,548,242	\$ 10,328,742
Business-type activities									
Invested in capital assets, net of related debt	\$ 8,491,081	\$ 9,243,826	\$ 9,908,173	\$ 10,124,878	\$ 10,657,299	\$ 10,959,620	\$ 11,196,648	\$ 12,126,884	\$ 12,336,353
Restricted	-	2,828,947	1,098,131	1,183,353	1,212,882	1,103,948	1,106,148	990,235	1,234,478
Unrestricted	7,993,894	4,889,654	6,657,609	6,183,553	6,393,401	6,903,632	7,833,765	8,292,614	8,740,929
Total business-type activities net assets	\$ 16,484,965	\$ 16,962,427	\$ 17,663,913	\$ 17,491,784	\$ 18,263,382	\$ 18,967,200	\$ 20,136,561	\$ 21,409,733	\$ 22,311,760
Primary government									
Invested in capital assets, net of related debt	\$ 17,982,929	\$ 19,489,167	\$ 20,355,349	\$ 21,629,968	\$ 22,220,717	\$ 21,869,720	\$ 21,590,129	\$ 21,247,398	\$ 22,662,599
Restricted	95,709	2,933,594	1,202,088	1,292,820	1,308,995	1,197,649	2,575,920	2,173,851	2,246,166
Unrestricted	9,340,264	1,845,037	4,161,003	4,052,404	5,339,249	5,717,071	5,649,715	6,536,726	7,731,737
Total primary government net assets	\$ 27,418,902	\$ 24,267,798	\$ 25,718,440	\$ 26,975,192	\$ 28,868,961	\$ 28,784,440	\$ 29,815,764	\$ 29,957,975	\$ 32,640,502

Note: GASB 34 implemented in 2004 and therefore only 9 years presented.

City of Orange City
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses									
Governmental activities:									
Public Safety	\$ 648,483	\$ 571,640	\$ 615,728	\$ 628,231	\$ 717,219	\$ 767,486	\$ 795,713	\$ 830,457	\$ 828,199
Public Works	1,489,282	1,503,075	1,554,367	1,726,845	1,922,753	1,842,509	1,121,275	1,975,401	1,778,275
Culture and Recreation	1,104,755	923,700	934,012	1,008,064	772,638	1,702,991	2,149,142	1,311,021	1,454,835
Community and Economic Development	88,712	3,510,694	66,129	348,231	338,867	418,230	475,593	1,572,043	317,481
General Government	436,509	442,852	702,510	427,357	469,266	451,379	543,010	714,572	1,144,619
Capital Projects	299,765	-	-	-	477,310	-	-	-	-
Debt Service	195,476	281,582	325,456	363,550	339,423	404,733	338,853	347,165	542,187
Total governmental activities expenses	4,262,982	7,233,543	4,198,202	4,502,278	5,037,476	5,587,328	5,423,586	6,750,659	6,065,596
Business-Type Activities:									
Electric	3,969,124	4,360,760	4,649,895	5,098,083	5,496,756	6,170,727	6,582,661	6,891,993	6,941,319
Water	591,156	673,470	715,885	725,194	754,465	762,179	845,775	873,848	909,721
Sewer	456,873	478,203	472,866	466,201	490,251	477,046	533,308	601,445	596,619
Gas	2,887,306	3,257,135	4,501,118	4,106,127	4,360,806	3,754,752	2,995,251	2,858,896	2,069,753
Total business-type activities expenses	7,904,459	8,769,568	10,339,764	10,393,605	11,102,278	11,164,704	10,956,995	11,226,182	10,517,412
Total primary government expenses	12,167,441	16,003,111	14,537,966	14,897,883	16,139,754	16,752,032	16,380,581	17,976,841	16,583,008
Program Revenues									
Governmental activities:									
Charges for services:									
Public Safety	111,832	120,206	117,314	27,321	-	10,934	22,835	18,328	43,050
Public Works	154,969	202,243	321,340	204,800	203,127	224,791	226,434	246,619	241,952
Health and Social Services	4,283	-	-	-	-	-	-	-	-
Culture and Recreation	104,938	108,247	118,718	204,205	154,678	202,769	198,059	237,037	232,520
Community & Economic Development			25,635	25,511	17,086	19,751	58,036	22,883	81,442
General Government	64,542	79,788	17,416	12,002	8,549	30,341	12,809	11,805	46,580
Capital Projects		64,195	-	-	-	-	-	-	-
Operating grants and contributions	53,302	136,151	68,957	682,784	619,533	1,129,518	711,108	748,271	893,471
Capital grants and contributions	107,570	-	353,962	187,158	853,361	361,549	115,830	-	1,236,083
Total governmental activities program revenues	601,436	710,830	1,023,342	1,343,781	1,856,334	1,979,653	1,345,111	1,284,943	2,775,098
Business-type activities:									
Charges for services:									
Electric	4,536,237	4,635,959	5,151,705	5,459,146	6,010,908	6,642,889	7,076,337	7,427,476	7,640,948
Water	704,566	773,316	865,743	841,357	805,151	818,193	785,796	831,730	977,427
Sewer	721,442	533,921	556,229	544,123	535,191	629,144	546,929	566,441	609,951
Gas	3,076,476	3,332,471	4,629,777	4,224,868	4,559,301	3,985,313	3,286,965	3,027,700	2,129,278
Total business-type activities program revenues	9,038,721	9,275,667	11,203,454	11,069,494	11,910,551	12,075,539	11,696,027	11,853,347	11,357,604
Total primary government program revenues	9,640,157	9,986,497	12,226,796	12,413,275	13,766,885	14,055,192	13,041,138	13,138,290	14,132,702
Net (expense)/revenue									
Governmental activities	(3,661,546)	(6,522,713)	(3,174,860)	(3,158,497)	(3,181,142)	(3,607,675)	(4,078,475)	(5,465,716)	(3,290,498)
Business-type activities	1,134,262	506,099	863,690	673,889	808,273	910,835	739,032	627,165	840,192
Total primary government net expense	\$ (2,527,284)	\$ (6,016,614)	\$ (2,311,170)	\$ (2,484,608)	\$ (2,372,869)	\$ (2,696,840)	\$ (3,339,443)	\$ (4,838,551)	\$ (2,450,306)

City of Orange City
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 1,598,567	\$ 1,617,548	\$ 2,264,411	\$ 2,460,542	\$ 2,511,016	\$ 2,671,193	\$ 2,715,434	\$ 2,819,037	\$ 3,265,842
Local option sales tax	420,939	601,573	527,909	558,312	607,761	642,603	596,463	646,042	669,520
Unrestricted grants and contributions	25,219	-	-	-	-	-	-	-	-
Investment Earnings	19,059	36,154	41,833	102,119	93,735	28,217	7,586	3,963	11,297
General Intergovernmental Revenue	518,541	467,121	467,540	-	-	-	-	-	-
Gain on Sale of Assets	-	-	-	38,640	-	3,000	189,700	100,120	94,548
Miscellaneous	156,570	46,997	228,319	106,100	926,494	189,587	149,288	196,505	117,618
Transfers	199,663	220,926	326,004	1,321,665	243,448	319,120	281,967	569,088	912,173
Total governmental activities	<u>2,938,358</u>	<u>2,990,319</u>	<u>3,856,016</u>	<u>4,587,378</u>	<u>4,382,454</u>	<u>3,853,720</u>	<u>3,940,438</u>	<u>4,334,755</u>	<u>5,070,998</u>
Business-type activities									
Investment Earnings	84,953	82,711	126,627	154,986	172,553	63,023	15,464	18,935	18,772
Miscellaneous	76,445	81,406	37,173	95,661	34,220	49,080	105,173	313,364	955,236
Transfers	(199,663)	(220,926)	(326,004)	(1,321,665)	(243,448)	(319,120)	(281,967)	(569,088)	(912,173)
Total business-type activities	<u>(38,265)</u>	<u>(56,809)</u>	<u>(162,204)</u>	<u>(1,071,018)</u>	<u>(36,675)</u>	<u>(207,017)</u>	<u>(161,330)</u>	<u>(236,789)</u>	<u>61,835</u>
Total primary government	<u>2,900,093</u>	<u>2,933,510</u>	<u>3,693,812</u>	<u>3,516,360</u>	<u>4,345,779</u>	<u>3,646,703</u>	<u>3,779,108</u>	<u>4,097,966</u>	<u>5,132,833</u>
Change in Net Assets									
Governmental activities	(723,188)	(3,532,394)	681,156	1,428,881	1,201,312	246,045	(138,037)	(1,130,961)	1,780,500
Business-type activities	<u>1,095,997</u>	<u>449,290</u>	<u>701,486</u>	<u>(397,129)</u>	<u>771,598</u>	<u>703,818</u>	<u>577,702</u>	<u>390,376</u>	<u>902,027</u>
Total primary government	<u>\$ 372,809</u>	<u>\$ (3,083,104)</u>	<u>\$ 1,382,642</u>	<u>\$ 1,031,752</u>	<u>\$ 1,972,910</u>	<u>\$ 949,863</u>	<u>\$ 439,665</u>	<u>\$ (740,585)</u>	<u>\$ 2,682,527</u>

Note: GASB 34 implemented in 2004 and therefore only 9 years presented.

City of Orange City
Governmental Activities Tax Revenues By Source
Last Nine Fiscal Years
(accrual basis of accounting)

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Hotel/Motel</u> <u>Tax</u>	<u>Total</u>
2004	\$ 1,598,367	\$ 420,939	\$ -	\$ 2,019,306
2005	1,617,548	601,573	-	2,219,121
2006	2,264,411	490,917	36,992 1	2,792,320
2007	2,460,542	523,641	34,671	3,018,854
2008	2,511,016	574,054	33,707	3,118,777
2009	2,681,252	610,329	32,274	3,323,855
2010	2,714,146	567,477	28,986	3,310,609
2011	2,819,037	612,552	33,490	3,465,079
2012	3,265,842	636,004	33,516	3,935,362

1 First year of tax

Note: GASB 34 implemented in 2004 and therefore only 9 years presented.

City of Orange City
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund									
Unreserved/ Unassigned	\$ 872,926	\$ 1,099,175	\$ 1,098,999	\$ 1,308,413	\$ 1,147,069	\$ 1,018,865	\$ 726,767	\$ 1,611,731	\$ 1,685,923
Total General Fund	<u>\$ 872,926</u>	<u>\$ 1,099,175</u>	<u>\$ 1,098,999</u>	<u>\$ 1,308,413</u>	<u>\$ 1,147,069</u>	<u>\$ 1,018,865</u>	<u>\$ 726,767</u>	<u>\$ 1,611,731</u>	<u>\$ 1,685,923</u>
All other governmental funds									
Reserved	\$ 110,745	\$ 119,480	\$ 121,990	\$ 125,079	\$ 140,039	\$ 142,036	\$ 139,667	\$ -	\$ -
Nonspendable								108,324	113,584
Spendable - Restricted	-	-	-	-	-	-	-	1,075,292	3,388,875
Spendable - Assigned	-	-	-	-	-	-	-	52,504	6,000
Spendable - Unassigned	-	-	-	-	-	-	-	(852,789)	(240,584)
Unreserved, reported in:									
Special revenue funds	762,553	703,759	864,920	1,045,140	1,177,108	993,887	1,355,796	-	-
Capital project funds	<u>(592,550)</u>	<u>(1,520,611)</u>	<u>(1,252,923)</u>	<u>16,610</u>	<u>(330,111)</u>	<u>(381,481)</u>	<u>(233,248)</u>	-	-
Total all other governmental funds	<u>\$ 280,748</u>	<u>\$ (697,372)</u>	<u>\$ (266,013)</u>	<u>\$ 1,186,829</u>	<u>\$ 987,036</u>	<u>\$ 754,442</u>	<u>\$ 1,262,215</u>	<u>\$ 383,331</u>	<u>\$ 3,267,875</u>

Note: GASB 34 implemented in 2004 and therefore only 9 years presented.

Note: GASB 54 implemented in 2011 and therefore only 2 years presented.

City of Orange City
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 1,458,609	\$ 1,609,486	\$ 1,860,705	\$ 1,970,930
Special Assessments	109,077	64,194	-	-
Licenses and permits	4,295	4,570	3,834	3,653
Intergovernmental	714,322	696,446	955,020	776,619
Charges for services	266,871	322,652	296,673	396,031
Fines and Forfeits	15,218	28,854	25,988	24,537
Contributions from Property Owners	25,219	34,793	21,084	12,965
TIF Revenue	139,758	163,965	437,610	487,942
Local Options Sales Tax	420,938	437,608	527,909	558,312
Investment Earnings	19,059	36,155	41,834	102,119
Miscellaneous	162,602	78,438	416,602	236,076
Total revenues	<u>3,335,968</u>	<u>3,477,161</u>	<u>4,587,259</u>	<u>4,569,184</u>
Expenditures				
Public safety	613,755	536,420	609,050	618,705
Public works	632,850	616,102	777,744	776,065
Culture and recreation	1,021,654	798,874	819,792	906,654
Community and economic development	88,712	57,082	63,075	349,564
General government	430,926	413,772	713,236	428,095
Capital projects	716,091	5,048,122	1,867,298	1,935,310
Debt service				
Principal	460,000	780,000	695,000	780,000
Interest	193,759	266,210	393,084	358,240
Total expenditures	<u>4,157,747</u>	<u>8,516,582</u>	<u>5,938,279</u>	<u>6,152,633</u>
Excess of revenues over (under) expenditures	(821,779)	(5,039,421)	(1,351,020)	(1,583,449)
Other financing sources (uses)				
Issuance of Debt	705,000	4,095,000	1,385,000	450,000
Proceeds From Sale of Fixed Assets	-	-	-	38,640
Transfers In	1,130,113	1,133,175	1,275,555	2,267,414
Transfers Out	<u>(930,450)</u>	<u>(912,249)</u>	<u>(949,551)</u>	<u>(945,749)</u>
Total other financing sources (uses)	<u>904,663</u>	<u>4,315,926</u>	<u>1,711,004</u>	<u>1,810,305</u>
Net change in fund balances	<u>\$ 82,884</u>	<u>\$ (723,495)</u>	<u>\$ 359,984</u>	<u>\$ 226,856</u>
Debt Service as a percentage of noncapital expenditures	15.7%	12.3%	18.0%	18.4%

Note: GASB 34 implemented in 2004 therefore only 9 years presented.

City of Orange City
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

Fiscal Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,030,435	\$ 2,114,229	\$ 2,150,832	\$ 2,357,270	\$ 2,579,057
-	-	32,393	-	-
5,120	3,859	3,927	4,541	5,288
1,857,893	1,491,067	826,938	748,271	1,969,554
381,090	434,216	432,831	440,500	535,950
31,304	25,239	28,798	28,640	44,919
9,686	6,788	5,005	8,109	2,029
496,167	567,023	563,314	468,922	688,900
607,761	642,603	596,463	646,042	669,520
93,737	29,767	7,586	3,963	11,297
499,514	209,521	326,357	342,347	429,524
<u>6,012,707</u>	<u>5,524,312</u>	<u>4,974,444</u>	<u>5,048,605</u>	<u>6,936,038</u>
896,293	882,662	1,074,560	757,212	790,598
937,386	1,055,055	1,128,842	810,124	1,018,539
1,194,084	1,492,116	1,107,667	1,102,791	1,265,084
337,597	418,465	345,945	221,428	317,787
453,942	428,584	601,476	695,362	1,150,288
1,799,431	718,347	1,414,710	2,336,490	5,601,071
870,000	825,000	1,450,000	850,000	2,770,000
352,962	384,001	371,011	347,366	663,442
<u>6,841,695</u>	<u>6,204,230</u>	<u>7,494,211</u>	<u>7,120,773</u>	<u>13,576,809</u>
(828,988)	(679,918)	(2,519,767)	(2,072,168)	(6,640,771)
1,650,000	-	2,425,000	1,500,000	8,685,000
12,224	-	27,850	-	-
1,276,556	2,085,762	1,273,474	1,135,326	1,718,587
<u>(1,033,108)</u>	<u>(1,766,642)</u>	<u>(991,507)</u>	<u>(566,238)</u>	<u>(806,414)</u>
<u>1,905,672</u>	<u>319,120</u>	<u>2,734,817</u>	<u>2,069,088</u>	<u>9,597,173</u>
<u>\$ 1,076,684</u>	<u>\$ (360,798)</u>	<u>\$ 215,050</u>	<u>\$ (3,080)</u>	<u>\$ 2,956,402</u>
26.5%	24.2%	30.0%	25.0%	43.0%

City of Orange City
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Utilities		Total		Assessed Value as a Percentage of Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2003	114,153,308	187,368,989	405,828	405,828	114,559,136	187,774,817	61.01%
2004	121,880,002	197,777,207	457,062	457,062	122,337,064	198,234,269	61.71%
2005	133,223,718	213,808,393	446,521	446,521	133,670,239	214,254,914	62.39%
2006	135,062,294	218,543,204	2,881,675	2,881,675	137,943,969	221,424,879	62.30%
2007	144,958,608	239,180,184	4,698,999	4,698,999	149,657,607	243,879,183	61.37%
2008	150,547,386	253,255,181	1,423,254	1,423,254	151,970,640	254,678,435	59.67%
2009	160,105,919	277,172,987	1,576,622	1,576,622	161,682,541	278,749,609	58.00%
2010	170,291,914	285,044,596	1,622,383	1,622,383	171,914,297	286,666,979	59.97%
2011	179,718,563	298,824,053	1,530,692	1,530,692	181,249,255	300,354,745	60.35%
2012	186,572,943	306,135,707	1,504,207	1,504,207	188,077,150	307,639,914	61.14%

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

City of Orange City
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Orange City			Sioux County			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	MOC-FV School District			Area Vocational School	
							Operating Millage	Debt Service Millage	Total School Millage		
2003	7.6933	4.3529	12.0462	3.51512	0.42170	3.93682	10.99933	1.60667	12.60600	0.54774	29.1368
2004	7.7702	4.5524	12.3226	4.41586	0.23157	4.64743	11.26700	1.51623	12.78323	0.65433	30.4076
2005	8.1585	5.0902	13.2486	5.06682	-	5.06682	12.40268	1.68975	14.09243	0.58447	32.9924
2006	7.7024	7.0606	14.7630	5.94423	0.20000	6.14423	12.42950	0.35027	12.77977	0.58365	34.2707
2007	7.6510	6.8721	14.5231	5.89492	0.23671	6.13163	12.34459	0.36235	12.70694	0.66202	34.0237
2008	7.7150	6.8502	14.5652	5.62931	0.40462	6.03393	12.71788	-	12.71788	0.67287	33.9899
2009	7.8009	6.5598	14.3607	5.19800	0.40840	5.60640	11.99370	-	11.99370	0.68751	32.6483
2010	7.8840	5.8294	13.7134	5.07305	0.44328	5.51633	11.99250	-	11.99250	0.65473	31.8770
2011	7.8530	6.1102	13.9632	4.98456	0.39015	5.37471	12.77383	-	12.77383	0.67631	32.7881
2012	7.8767	7.2532	15.1299	4.98854	0.37498	5.36352	11.69433	-	11.69433	0.65058	32.8383

Taxes due July 1

Taxes delinquent first half - October 1; second half - April 1.

Penalties for delinquency: 1.5 percent per month.

Discount allowed: none

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Sioux County and distributed to the City of Orange City in proportion of its levy to all levies.

Tax sale date: first Monday in June.

Source: The tax rates are obtained from the Sioux County Courthouse - Auditor's Office.

City of Orange City
Principal Property Taxpayers
June 30, 2012

	2012				2000			
	Assessed		Percentage of		Assessed		Percentage of	
<u>Taxpayer</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Total</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Total</u>
SCC10 Orange City	\$ 9,268,450	1	4.9%		\$ 11,678,620	1		7.2%
Vogel Enterprises Inc.	8,266,330	2	4.4%		4,892,930	2		3.0%
Advanced Brands LLC	5,319,160	3	2.8%					
OCDC, Inc.	4,188,750	4	2.2%					
Orange City Communications	3,251,000	5	1.7%					
Groeneweg, Ardie Rev Trust	2021640	6	1.1%					
Krull Ltd.	1,635,140	7	0.9%		852,382	4		0.5%
Iowa State Bank Orange City	1,515,870	8	0.8%					
Tech Industries LLC	1,404,530	9	0.7%					
Northwest Rural Electric Coop	1,340,925	10	0.7%					
Dutch Colony Inn								
Frontier Telephone					386,645	9		0.2%
Kepp Realty					532,232	7		0.3%
Kraai Furniture					494,803	8		0.3%
Northwestern Bank Orange City					639,017	5		0.4%
Orange Colony Investors					464,889	6		0.3%
Excel Specialty Products					2,637,706	3		1.6%
Totals	\$ 38,211,795		20.3%		\$ 22,579,224			13.8%

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

City of Orange City
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
6/30						
2003	1,438,760	1,467,196	101.98%	-	1,467,196	101.98%
2004	1,578,960	1,531,410	96.99%	-	1,531,410	96.99%
2005	1,574,394	1,609,486	102.23%	-	1,609,486	102.23%
2006	1,858,206	1,860,705	100.13%	-	1,860,705	100.13%
2007	1,964,663	1,970,930	100.32%	-	1,970,930	100.32%
2008	2,024,653	2,030,435	100.29%	-	2,030,435	100.29%
2009	2,099,098	2,114,229	100.72%	-	2,114,229	100.72%
2010	2,127,308	2,150,832	101.11%	-	2,150,832	101.11%
2011	2,351,672	2,357,270	100.24%	-	2,357,270	100.24%
2012	2,526,838	2,579,057	102.07%	-	2,579,057	102.07%

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-Type Activities					Total Primary Government	% of Personal Income	Per Capita
	General Obligation Bonds	Electric Bonds	Water Bonds	Sewer Bonds	Gas Bonds				
2003	3,910,000	-	775,000	1,500,000	-	6,185,000	1,107		
2004	4,155,000	2,120,000	2,810,000	1,340,000	1,660,000	12,085,000	2,162		
2005	7,470,000	2,005,000	2,670,000	1,170,000	1,580,000	14,895,000	494.14%		
2006	8,160,000	1,885,000	2,525,000	1,000,000	1,500,000	15,070,000	499.95%		
2007	7,830,000	2,865,000	2,375,000	910,000	1,415,000	15,395,000	510.73%		
2008	8,610,000	2,745,000	2,220,000	815,000	1,330,000	15,720,000	521.51%		
2009	7,785,000	2,560,000	2,060,000	715,000	1,240,000	14,360,000	476.40%		
2010	8,760,000	2,365,000	1,955,000	610,000	1,150,000	14,840,000	492.32%		
2011	9,410,000	2,165,000	1,850,000	500,000	1,055,000	14,980,000	496.96%		
2012	15,325,000	4,845,000	4,535,000	390,000	865,000	25,960,000	861.23%		

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See the Schedule of Demographic and Economic Statistics on page 96 for personal income and population data.

City of Orange City
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2003	3,910,000	86,413	3,823,587	2.04	684.13
2004	4,155,000	51,637	4,103,363	2.07	734.19
2005	7,470,000	34,407	7,435,593	3.47	1,330.40
2006	8,160,000	21,201	8,138,799	3.72	1,456.22
2007	7,830,000	24,606	7,805,394	3.26	1,396.56
2008	8,610,000	47,569	8,562,431	3.31	1,458.18
2009	7,785,000	49,021	7,735,979	2.80	1,384.14
2010	8,760,000	42,202	8,717,798	3.07	1,559.81
2011	9,410,000	64,480	9,345,520	3.11	1,672.13
2012	15,325,000	2,496,771	12,828,229	4.17	2,295.26

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Population data can be found in the Schedule of Demographic and Economic Statistics.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

City of Orange City
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: School District	\$ -	45.89%	\$ -
Debt repaid with property taxes; Sioux County	7,930,000	14.63%	1,160,159
Subtotal, overlapping debt			<u>\$ 1,160,159</u>
City of Orange City direct debt			<u>15,325,000</u>
Total direct and overlapping debt			<u><u>\$ 16,485,159</u></u>

Sources: Debt outstanding data provided by the school and Sioux County Auditor Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Orange City
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 9,425,888	\$ 9,882,991	\$ 10,712,746	\$ 11,071,244	\$ 12,193,959	\$ 12,662,759	\$ 13,817,547	\$ 14,333,349	\$ 15,017,737	\$ 15,381,996
Total net debt applicable to limit	3,823,587	4,127,291	7,435,593	8,128,733	7,805,394	8,562,431	7,735,979	8,717,798	9,410,000	12,828,229
Legal debt margin	<u>\$ 5,602,301</u>	<u>\$ 5,755,700</u>	<u>\$ 3,277,153</u>	<u>\$ 2,942,511</u>	<u>\$ 4,388,565</u>	<u>\$ 4,100,328</u>	<u>\$ 6,081,568</u>	<u>\$ 5,615,551</u>	<u>\$ 5,607,737</u>	<u>\$ 2,553,767</u>
Total net debt applicable to the limit as a percentage of debt limit	40.56%	41.76%	69.41%	73.42%	64.01%	67.62%	55.99%	60.82%	62.66%	83.40%
Legal Debt Margin Calculation for Fiscal Year 2012										
Assessed value										\$ 307,639,914
Add back: exempt real property										-
Total assessed value										<u>307,639,914</u>
Debt limit (5% of total assessed value)										15,381,996
Debt applicable to limit:										12,828,229
General obligation bonds										<u>12,828,229</u>
Total net debt applicable to limit										<u>\$ 2,553,767</u>
Legal debt margin										<u>2,553,767</u>

Note: Under state finance law, the City of Orange City's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Electric Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	4,331,927	3,387,989	943,938	300,000	6,360	3.08
2004	4,610,432	3,548,978	1,061,454	-	54,302	19.55
2005	4,664,357	3,673,367	990,990	115,000	71,539	5.31
2006	5,198,997	4,119,213	1,079,784	120,000	69,598	5.70
2007	5,526,151	4,458,342	1,067,809	120,000	67,228	5.70
2008	6,099,521	4,924,582	1,174,939	120,000	113,070	5.04
2009	6,694,451	5,431,989	1,262,462	185,000	109,828	4.28
2010	7,109,106	5,855,120	1,253,986	195,000	103,259	4.20
2011	7,478,164	6,123,211	1,354,953	200,000	96,163	4.58
2012	8,310,961	6,194,388	2,116,573	1,320,000	95,348	1.50

<u>Fiscal Year</u>	<u>Water Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	698,186	367,933	330,253	105,000	39,129	2.29
2004	739,503	344,796	394,707	115,000	18,655	2.95
2005	791,769	365,148	426,621	140,000	106,136	1.73
2006	899,840	403,089	496,751	145,000	103,638	2.00
2007	879,053	412,036	467,017	150,000	100,573	1.86
2008	836,792	436,143	400,649	155,000	98,444	1.58
2009	849,428	434,916	414,512	160,000	93,700	1.63
2010	848,050	472,818	375,232	105,000	90,147	1.92
2011	1,103,182	541,275	561,907	105,000	86,531	2.93
2012	1,270,145	539,261	730,884	110,000	117,801	3.21

Note: Operating Expenses do not include depreciation expense

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	644,207	238,419	405,788	155,000	81,103	1.72
2004	768,692	224,702	543,990	160,000	64,438	2.42
2005	564,290	247,456	316,834	170,000	60,038	1.38
2006	593,671	253,267	340,404	170,000	54,853	1.51
2007	578,003	268,559	309,444	90,000	49,243	2.22
2008	566,841	272,846	293,995	95,000	46,120	2.08
2009	653,684	272,149	381,535	100,000	41,567	2.70
2010	570,344	307,400	262,944	105,000	36,646	1.86
2011	574,887	385,032	189,855	95,000	31,369	1.50
2012	619,534	396,497	223,037	630,000	10,731	0.35

<u>Fiscal Year</u>	<u>Gas Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	2,432,713	2,180,805	251,908	-	46,133	5.46
2004	3,079,659	2,746,305	333,354	115,000	84,730	1.67
2005	3,337,962	3,124,186	213,776	80,000	71,455	1.41
2006	4,637,573	4,368,962	268,611	80,000	61,898	1.89
2007	4,241,273	3,974,228	267,045	85,000	60,138	1.84
2008	4,579,950	4,231,917	348,033	85,000	62,632	2.36
2009	3,990,079	3,628,756	361,323	90,000	57,548	2.45
2010	3,289,164	2,869,709	419,455	90,000	54,598	2.90
2011	3,029,413	2,714,939	314,474	95,000	51,344	2.15
2012	2,130,972	1,973,501	157,471	1,125,000	23,494	0.14

Note: Operating Expenses do not include depreciation expense

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Principal Employers
June 30, 2012

	2012			2006		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Population</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Population</u>
Advance Pierre Foods	250	4	4.16%	600	1	10.74%
Staples Inc.	575	1	9.58%	350	4	6.26%
Diamond Vogel Paints	350	3	5.83%	375	3	6.71%
EZ Liner Industrial	40	9	0.67%	50	8	0.89%
Med-Tec Inc.	70	7	1.17%	100	6	1.79%
Northwestern College	180	5	3.00%	187	5	3.35%
Orange City Health System	500	2	8.33%	460	2	8.23%
Revival Animal Health	60	8	1.00%	60	7	1.07%
Tec Industries/Quatro	95	6	1.58%	40	9	0.72%
Silent Drive	30	10	0.50%	30	10	0.54%
Total	<u>2,150</u>		35.81%	<u>2,252</u>		40.29%

Note: Source for this data was obtained from Iowa Workforce Development

Note: Information not available prior to 2006

City of Orange City
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	9	9	9	9	9	9	9	9	10	10
Public Safety										
Police Officers	7	7	7	7	7	7	7	7	7	7
Highways and streets	3	3	3	3	3	3	3	3	3	3
Culture and recreation	2	2	2	3	3	3	3	3	3	3
Library	5	5	5	5	5	5	5	5	5	5
Electric	5	5	5	5	5	5	5	5	5	5
Water	2	2	2	2	2	2	2	2	2	2
Sewer	1	1	1	1	1	1	1	1	1	1
Gas	2	2	2	2	2	2	2	2	2	2
Total	36	36	36	37	37	37	37	37	38	38

Sources: Various city departments.

**City of Orange City
Capital Asset Statistics by Function/Program
Last Seven Fiscal Years**

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police							
Stations	1	1	1	1	1	1	1
Patrol Units	4	4	4	4	4	4	4
Fire Station	1	1	1	1	1	1	1
Other Public Works							
Streets (miles)	46	47	47	47	47	47	49
Streetlights	958	961	985	889	927	927	928
Traffic Signals	2	2	2	2	2	2	2
Parks and recreation							
Aceage	223	223	230	230	230	230	230
Playgrounds	4	4	4	5	5	5	5
Baseball/softball diamonds	2	2	2	2	2	2	2
Soccer/football fields	4	4	4	4	4	4	4
Community Center	1	1	1	1	1	1	1
Water							
Water Mains (miles)	45	47	47	47	47	47	49
Fire Hydrants	275	275	282	282	282	282	285
Storage capacity (thousands of gallons)	950	950	950	950	950	950	950
Wastewater							
Sanitary Sewers (miles)	41	41	41	41	41	41	43
Storm Sewer (miles)	19	19	19	19	19	19	21
Treatment capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000	3,000	3,000

Sources: Various city departments

Note: GASB 44 implemented in 2006 and therefore only 7 years presented.

**City of Orange City
Demographic and Economic Statistics**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	5,589	30,143	17,413	27.9	13	999	-97.4%
2005	5,589	30,143	17,413	27.9	13	999	2.6%
2006	5,589	30,143	17,413	27.9	13	999	2.6%
2007	5,589	30,143	17,413	27.9	13	999	2.6%
2008	5,872	30,143	17,413	27.9	13	1950	2.3%
2009	5,872	30,143	22,142	28.5	16	1940	3.9%
2010	5,872	30,143	22,142	28.5	16	1940	3.9%
2011	6,004	30,143	22,142	28.5	16	1940	4.1%
2012	6,004	30,143	22,142	28.5	16	1940	4.1%

Sources: Population, median age, and educational level information provided by the United States Census Bureau. School enrollment data provided by the Orange City school districts.

Note: Personal Income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Note: GASB 34 implemented in 2004 and therefore only 9 years presented.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, The Orange City Municipal Golf Association discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2012, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated November 19, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Orange City Municipal Hospital, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting:

Management of the City of Orange City, Iowa are responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detects and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit the City's response and, accordingly, we express no opinion on it.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Orange City, Iowa, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

Le Mars, Iowa
November 19, 2012

CITY OF ORANGE CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2012

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.
There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-12 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-12 - Certified Budget – City expenditures during the year ended June 30, 2012, exceeded amounts budgeted in the Community and Economic Development, General Government and Capital Project functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-12 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF ORANGE CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting - (Continued)

- III-C-12 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-D-12 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- III-E-12 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-F-12 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-G-12 - Business Transactions – Business transactions between the City and city officials are detailed as follows:

Name, Title and Business Connection	Transaction/ Description	Amount
Teresa Jasper, part-time employee of the City Owner of Country Colors	Retailer	\$ 11,066
Bruce Muilenburg, City Council Member Owner of De Koffiehoek & Bristro	Retailer	\$ 754

The transaction with Bruce Muilenburg does not represent a conflict of interest. The transaction with Teresa Jasper may represent a conflict of interest due to the amount of the transactions. The City should consult legal council for determination.

- III-H-12 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.